

SOL PLAATJE MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE MUNICIPALITY ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

SOL PLAATJE MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

INDEX

	Page
General Information	2
Declaration Accounting Officer	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies	8
Notes to the Financial Statements	39
Appendix A: Schedule of External Loans	76
Appendix B: Analysis of Property, Plant and Equipment	77
Appendix C: Segmental Analysis of Property, Plant and Equipment	78
Appendix D: Segmental Statement of Financial Performance	79
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	80
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	81
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	82
Appendix G: Disclosures of Deviations from procurement policy	83

**SOL PLAATJE MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2010**

**EXECUTIVE MAYOR
SPEAKER**

Alderman P Everyday
Councillor MK Thole

GRADING OF THE LOCAL AUTHORITY:

Grade 4

AUDITORS:

Office of the Auditor-General
31 Mc Dougallstreet
Kimberley
8301
Telephone 053-8311016
Fax 053-8326277
Email kmbag@agsa.co.za

Private Bag X5013
Kimberley
8300

BANKERS:

Standard Bank
Old Main Road
Kimberley
8301
Telephone 053-8078215
Fax 053-8078173

P.O. Box 626
Kimberley
8300

REGISTERED OFFICE:

Civic Centre
Jan Smuts Boulevard
Kimberley
8301
Telephone 053-8306911
Fax 053-8331005

Private Bag X5030
Kimberley
8300

MUNICIPAL MANAGER:

Mr G Akharwaray

CHIEF FINANCIAL OFFICER:

Me ZL Mahloko (Acting)

MEMBERS OF COUNCIL:

Councillor/Alderman

Ward

1 Settley V	11 Nkomo GR	20 Sebegu M
2 Fillis DS	12 Morudi GD	21 Louw PJ
3 Williams LE	13 Mafooa LE	22 Pietersen J
4 Mohulatsi KB	14 Afrika MA	23 Voster PJ
5 Sello R	15 Ngobeza WN	24 Smit J
6 Modise ML	16 Nhlapo MG	25 Warner FE
7 Morwe RT	17 Phitlho PM	26 Makopeni LP
8 Ngoma TC	18 Mathe EM	27 De Kock KJ
9 Mbasa W	19 Jabetla AK	28 Swanepoel F
10 Legwabe HP		

Councillor/Alderman

Proportional

1 Bauser R	10 Kock P	19 Nkomo SM
2 Beylefeld MJ	11 Kruger LE	20 Ntlangula A
3 Britz DP	12 Le Grange M	21 Oliphant J
4 Chwarisang M	13 Leven MM	22 Sebolai LM
5 Coutts PA	14 Mashodi SC	23 Steyn JL
6 Damoense EJ	15 Matsekete LT	24 Strauss PAS
7 Diraditsile MV	16 Mogoje TT	25 Thole MK
8 Everyday P	17 Mogwazeni M	26 Van Der Merwe G
9 Fourie OC	18 Motsage J	27 Visagie

SOL PLAATJE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

I am accountable for the preparation of these annual financial statements, which are set out on pages 4 to 73, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

GH Akharwaray
Municipal Manager
31 August 2010

SOL PLAATJE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2010

	Note	010	2009	2010 Budget
		R	R	R
ASSETS				
Current Assets		342 489 653	272 377 917	342 271 000
Inventory	2	15 733 318	16 249 838	16 739 000
Non-current Assets Held-for-Sale	3	596 460	-	-
Trade Receivables from Exchange Transactions	4	151 254 634	166 464 633	261 400 000
Trade Receivables from Non-Exchange Transactions	5	119 746 393	71 150 445	20 012 000
Cash and Cash Equivalents	6	51 238 735	16 738 735	44 000 000
Operating Lease Assets	7	84 051	82 741	-
Vat Receivable from Exchange Transactions	8	3 836 063	1 578 101	-
Current Portion of Long-term Receivables from Exchange Transactions	12	-	113 424	120 000
Non-Current Assets		700 951 568	618 717 902	604 337 000
Property, Plant and Equipment	9	645 900 329	566 298 997	604 337 000
Intangible Assets	10	3 425 872	4 560 172	-
Investment Property	11	51 625 367	47 858 733	-
Total Assets		1 043 441 220	891 095 819	946 608 000
LIABILITIES				
Current Liabilities		200 993 134	142 662 296	138 504 000
Consumer Deposits	13	10 225 457	8 980 853	9 520 000
Provisions	14	5 299 684	4 652 856	-
Creditors	15	107 135 888	78 210 210	78 070 000
Unspent Conditional Grants and Receipts	16	3 436 299	6 429 245	4 000 000
Vat Payable from Exchange Transactions	17	41 664 918	35 014 636	37 116 000
Bank Overdraft	6	25 067 445	2 349 909	2 491 000
Current Portion of Long-term Liabilities	18	8 163 443	7 024 588	7 307 000
Non-Current Liabilities		212 525 202	207 859 464	73 400 000
Long-term Liabilities	18	63 609 046	64 842 231	73 400 000
Retirement Benefit Liabilities	19	114 140 484	110 790 735	-
Non-current Provisions	20	34 775 672	32 226 498	-
Total Liabilities		413 518 336	350 521 760	211 904 000
Total Assets and Liabilities		629 922 885	540 574 058	734 704 000
NET ASSETS		629 922 885	540 574 058	734 704 000
Accumulated Surplus	21	629 922 885	540 574 058	734 704 000
Total Net Assets		629 922 885	540 574 058	734 704 000

SOL PLAATJE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2010

Budget 2009 R	Budget 2010 R		Note	Actual 2010 R	Actual 2009 R
REVENUE					
Revenue from Non-exchange Transactions					
132 000 000	190 313 244	Property Rates	22	189 423 946	132 441 486
4 533 300	5 280 000	Fines		3 776 691	4 187 923
2 260 000	2 491 100	Licences and Permits		3 089 183	2 269 357
2 100 000	2 322 800	Income for Agency Services		3 244 760	4 155 900
161 906 368	225 222 561	Government Grants and Subsidies Received	26	218 639 955	154 780 058
-	-	Public Contributions and Donations	27	3 877 500	-
Revenue from Exchange Transactions					
408 882 947	488 541 307	Service Charges	24	489 460 439	411 835 609
10 451 635	12 722 508	Rental of Facilities and Equipment	25	11 126 139	10 786 956
8 000 000	4 000 000	Interest Earned - External Investments	23	3 984 460	5 916 648
42 800 000	43 250 000	Interest Earned - Outstanding Debtors	23	39 476 418	36 334 394
27 873 687	45 229 766	Other Income	28	24 968 641	26 137 964
800 807 937	1 019 373 286	Total Revenue		991 068 134	788 846 294
EXPENDITURE					
262 938 554	300 269 021	Employee Related Costs	29	304 106 014	275 503 145
10 414 817	11 523 385	Remuneration of Councillors	30	11 469 985	9 573 995
1 490 000	1 095 000	Collection Costs		265 302	1 407 348
34 066 475	48 191 482	Depreciation and Amortisation	31	29 803 795	26 375 808
74 000 000	89 000 000	Impairment Losses	32	104 693 453	99 997 538
42 925 186	53 097 340	Repairs and Maintenance		53 826 250	50 773 987
8 172 393	12 221 964	Finance Costs	33	8 930 826	8 870 789
152 400 000	202 000 000	Bulk Purchases	34	196 224 388	143 146 442
600 000	1 350 000	Grants and Subsidies Paid	35	350 000	300 000
135 623 036	183 029 582	General Expenses	36	192 049 294	162 981 515
722 630 461	901 777 774	Total Expenditure		901 719 308	778 930 566
78 177 476	117 595 512	SURPLUS FOR THE YEAR		89 348 826	9 915 728
Refer to Appendix E(1) for explanation of budget variances					

SOL PLAATJE MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2010

Description	Note	Accumulated Surplus Account						Total for Accumulated Surplus Account	Total
		Capital Replacement Reserve(CRR)	Capitalisation Reserve	Government Grants Reserve	Self Insurance Reserve	COID Reserve	Accumulated Surplus		
		R	R	R	R		R	R	R
2009									
Balance at 30 June 2008		7 798 525	55 295 717	269 344 795	16 611 805	7 229 485	217 855 029	574 135 356	574 135 356
Correction of Error	39		(55 295 717)	(269 344 795)			281 163 486	(43 477 026)	(43 477 026)
Restated Balance		7 798 525	-	-	16 611 805	7 229 485	499 018 515	530 658 330	530 658 330
Surplus for the year							9 915 728	9 915 728	9 915 728
Transfer to Capital Replacement Reserve		10 600 000					(10 600 000)	-	-
Property, Plant and Equipment purchased		(18 323 674)					18 323 674	-	-
Donated / Contributed PPE							-	-	-
Grants utilised to obtain PPE							-	-	-
Contribution to Insurance Reserve					121 956	319 594	(441 550)	-	-
Insurance claims processed							-	-	-
Interest received							-	-	-
Asset disposals							-	-	-
Offsetting of Depreciation							-	-	-
Balance at 30 June 2009		74 851	-	-	16 733 761	7 549 079	516 216 367	540 574 058	540 574 058
2010									
Restated Balance		74 851	-	-	16 733 761	7 549 079	516 216 367	540 574 058	540 574 058
Surplus for the year							89 348 826	89 348 826	89 348 826
Transfer to Capital Replacement Reserve		11 000 000					(11 000 000)	-	-
Property, Plant and Equipment purchased		(9 483 124)					9 483 124	-	-
Donated / Contributed PPE							-	-	-
Grants utilised to obtain PPE				-			-	-	-
Contribution to Insurance Reserve					84 064	307 617	(391 681)	-	-
Insurance claims processed							-	-	-
Interest received							-	-	-
Asset disposals							-	-	-
Offsetting of Depreciation							-	-	-
Balance at 30 June 2010		1 591 726	-	-	16 817 826	7 856 696	603 656 637	629 922 885	629 922 885

Details on the movement of the Funds and Reserves are set out in Note 21.

SOL PLAATJE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2010

	Note	Actual 2010 R	Actual 2009 R	Budget 2010 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from Ratepayers, Government and Other	41	807 778 202	586 602 053	901 219 000
Cash paid to Suppliers and Employees	41	717 910 964	597 792 122	747 547 000
Cash generated from / (utilised in) Operations	41	89 867 238	(11 190 069)	153 672 000
Interest received	23	43 460 878	42 251 042	47 250 000
Interest paid	33	(8 930 826)	(8 870 789)	(12 479 000)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		124 397 290	22 190 184	188 443 000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	9	(108 627 968)	(68 300 408)	(161 693 000)
Purchase of Intangible Assets	10	(128 453)	(1 506 883)	
Purchase of Investment Property	11	(3 877 500)	-	
(Increase) / decrease in Long-term Receivables	12	113 424	449 468	-
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(112 520 497)	(69 357 823)	(161 693 000)
CASH FLOWS FROM FINANCING ACTIVITIES				
New Loans raised		10 463 371	21 018 089	15 000 000
Loans repaid		(10 557 701)	(5 743 000)	(6 557 000)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(94 330)	15 275 089	8 443 000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	11 782 464	(31 892 550)	35 193 000
Cash and Cash Equivalents at the beginning of the year		14 388 826	46 281 376	14 389 000
Cash and Cash Equivalents at the end of the year		26 171 290	14 388 826	49 582 000

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board. The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2009 and 30 June 2010 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: *Revenue*, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation Accounting Policy 10). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed across all classes of debtors.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1. BASIS OF PRESENTATION (continued)

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 3.9 on PPE - Impairment of assets and Accounting Policy 4.2 on Intangible assets - Subsequent Measurement, Amortisation and Impairment and Accounting Policy 8.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: Property, Plant and Equipment, GRAP 12: Inventory and GRAP 102: Intangible assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. 6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, Long-service Awards and Ex-gratia Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19 (Employee Benefits). Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 19 and 20 to the Annual Financial Statements.

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 20 and 51 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1. BASIS OF PRESENTATION (continued)

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - October 2009
IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities - February 2010

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5 paragraph 29 allows for the Municipality to may select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. STATUTORY FUNDS AND RESERVES

As part of Accumulated Surplus, the following is disclosed:

- Capital Replacement Reserve;
- Self Insurance Reserve; and
- Compensation for Occupational Injuries and Diseases (COID) Reserve.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		Buildings	30
Roads and Paving	10 - 30		
Electricity	15 - 30	Other	
Water	15 - 20	Specialist Vehicles	5 - 15
Sewerage	10 - 20	Other Vehicles	5
Landfill Sites	25 - 30	Office Equipment	3 - 7
		Furniture and Fittings	10
Community		Bins and Containers	5
Recreational Facilities	15 - 30	Specialised Plant and Equipment	2 - 15
Public Safety	3 - 5	Other items of Plant and Equipment	2 - 15

Depreciation only commences when the asset is available for use, unless stated otherwise.

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

PROPERTY, PLANT AND EQUIPMENT (continued)

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources of nature (examples are statues, graves, memorial assets, libraries, canons, etc) and accordingly to GRAP 17 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives however as GRAP 103 is not effective, heritage assets are shown at a zero value for the financial year under review.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 9 Impairment of assets

3. 9. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. 9. 2 *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 9. 2 Impairment of Non-Cash generating assets (continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

4. INTANGIBLE ASSETS (continued)

4. 1 Initial Recognition (continued)

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets given up.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

6. FINANCIAL INSTRUMENTS (continued)

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset

Short-term Investment Deposits – Call
Bank Balances and Cash
Long-term Receivables
Consumer Debtors
Other Debtors
Investments in Fixed Deposits

Classification in terms of IAS 39.09

Available for sale
Loans and receivables
Loans and receivables
Loans and receivables
Loans and receivables
Held-to-maturity investments

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

6. FINANCIAL INSTRUMENTS (continued)

6. 1 Financial Assets - Classification (continued)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss;
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost); or
- (iii) Financial guarantee contract.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6. 3 Initial and Subsequent Measurement

6. 3. 1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

6. FINANCIAL INSTRUMENTS (continued)

6. 3 Initial and Subsequent Measurement (continued)

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6. 3. 2 Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise. Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial performance even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance. A significant or prolonged decline in fair value of the instrument below cost is an indicator of impairment.

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets (continued)

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

6. FINANCIAL INSTRUMENTS (continued)

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks.

Credit Risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48.9 to the annual financial statements.

8. INVENTORIES

8. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8. INVENTORIES (continued)

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the **weighted average** method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

9. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities, interest and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10. REVENUE RECOGNITION (continued)

10. 1 General (continued)

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards is made on an average monthly sale before year end and is recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Furthermore other services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

10. REVENUE RECOGNITION (continued)

10. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10.2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10.2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

10. REVENUE RECOGNITION (continued)

10.2. 9 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

10.3 Revenue from Non-exchange Transactions

10.3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3. 2 Fines

Fines constitute both spot fines and summonses for which revenue is recognised when it is probable that future economic benefits will be received. Fines are recognised on the best estimate of the recovery of fines issued.

10.3. 3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3. 4 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10.3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

10.4 Transitional Provisions

Revenue is initially recognised at fair value for the year ended 30 June 2009 (and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 and SAICA circular 09/2006.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

A provision is defined as a liability of uncertain timing and amount. Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for Restructuring cost

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12. PROVISIONS (continued)

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors in terms of defined benefit plans.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

13. EMPLOYEE BENEFITS (continued)

13. 3. 1 Post-retirement Health Care Benefits (continued):

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 49 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14. LEASES (continued)

14.1 The Municipality as Lessee

Finance leases

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset in accordance with the requirements of GRAP 5.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 38 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are converted at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE INFORMATION

25.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been included in the financial statements and forms part of the audited Annual Financial Statements.

25.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

2010
R

2009
R

1. GENERAL INFORMATION

Sol Plaatje Municipality (the municipality) is a local government institution in Kimberley, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by The Constitution.

2. INVENTORY

Inventory Stores - at cost	14 798 478	15 388 920
Water - at cost	934 840	860 918
Total Inventory	15 733 318	16 249 838

Inventory water has been restated to include the volume of water included in the water reticulation system. Refer to Note 39 on "Correction of Error" for details of the restatement.

The above water inventory at cost is seen as the fair value less cost to sell.

The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:

77 932 145 393

The cost of Inventories recognised as an expense during the period was:

24 895 425 26 907 684

3. NON-CURRENT ASSETS HELD-FOR-SALE

Other Assets Held-for-Sale	596 460	-
Net Assets classified as Held-for-Sale	596 460	-

3.1 Property Held-for-Sale

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next ten months. No impairment loss was recognised on reclassification of the property as held-for-sale at 30 June 2010.

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2010			
Service Debtors:	534 814 183	387 703 432	147 110 751
Electricity	65 812 093	42 720 161	23 091 932
Refuse	43 657 195	32 138 358	11 518 837
Sewerage	52 998 063	39 072 894	13 925 170
Water	123 856 707	88 361 199	35 495 508
Miscellaneous	248 490 125	185 410 820	63 079 305
Market	879 328	421 460	457 868
Housing Debtors	13 900 899	10 214 884	3 686 015
Total Consumer Debtors	549 594 410	398 339 776	151 254 634

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

2010
R

2009
R

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2009			
Service Debtors:	448 149 366	285 626 646	162 522 720
Electricity	57 149 780	32 405 118	24 744 662
Refuse	36 195 440	23 734 330	12 461 110
Sewerage	43 094 925	28 258 510	14 836 416
Water	105 972 389	66 321 476	39 650 914
Miscellaneous	205 736 832	134 907 212	70 829 619
Market	590 098	386 943	203 155
Housing Debtors	10 859 866	7 121 108	3 738 758
Total Consumer Debtors	459 599 330	293 134 698	166 464 633

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

2010
R

2009
R

4.1 Ageing of Consumer Debtors

Electricity: Ageing

Current:

0 - 30 days

24 942 532

19 961 015

Past Due:

31 - 60 Days

5 092 732

4 541 717

61 - 90 Days

2 691 120

2 048 153

+ 90 Days

33 085 710

28 995 243

Total

65 812 093

55 546 128

Refuse: Ageing

Current:

0 - 30 days

2 356 223

2 228 399

Past Due:

31 - 60 Days

1 478 348

1 382 188

61 - 90 Days

1 383 230

1 235 719

+ 90 Days

38 439 394

31 349 134

Total

43 657 195

36 195 440

Sewerage: Ageing

Current:

0 - 30 days

2 835 884

2 760 149

Past Due:

31 - 60 Days

1 872 642

1 739 716

61 - 90 Days

1 802 530

1 583 709

+ 90 Days

46 487 008

37 011 351

Total

52 998 063

43 094 925

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<i>Water: Ageing</i>		
<i>Current:</i>		
0 - 30 days	13 233 943	15 916 364
<i>Past Due:</i>		
31 - 60 Days	7 458 312	7 093 896
61 - 90 Days	4 934 768	5 067 241
+ 90 Days	98 229 683	77 894 889
Total	123 856 707	105 972 389
<i>Miscellaneous: Ageing</i>		
<i>Current:</i>		
0 - 30 days	9 680 387	15 692 381
<i>Past Due:</i>		
31 - 60 Days	6 648 137	6 339 351
61 - 90 Days	7 351 992	5 502 514
+ 90 Days	225 688 937	178 792 683
Total	249 369 453	206 326 930
<i>Housing Rentals: Ageing</i>		
<i>Current:</i>		
0 - 30 days	496 980	451 829
<i>Past Due:</i>		
31 - 60 Days	387 584	364 201
61 - 90 Days	388 775	338 383
+ 90 Days	12 627 559	9 705 453
Total	13 900 899	10 859 866

4.2 Summary of Consumer Debtors by Customer Classification (Exchange and Non-Exchange Transactions)

	Household R	Industrial/ Commercial R	National and Provincial Government R	Total R
As at 30 June 2010				
<i>Current:</i>				
0 - 30 days	65 327 803	17 280 803	3 651 853	86 260 459
<i>Past Due:</i>				
31 - 60 Days	19 632 538	4 903 537	2 384 215	26 920 290
61 - 90 Days	16 027 882	3 953 582	2 005 528	21 986 992
+ 90 Days	410 869 733	50 095 173	57 000 618	517 965 524
Sub-total	511 857 956	76 233 095	65 042 214	653 133 265
Less: Provision for Impairment	396 079 739	2 260 037	-	398 339 776
Total Debtors by Customer Classification	115 778 217	73 973 058	65 042 214	254 793 489
As at 30 June 2009				
<i>Current:</i>				
0 - 30 days	46 129 422	8 184 836	10 245 136	64 559 393
<i>Past Due:</i>				
31 - 60 Days	20 056 807	2 368 788	1 300 618	23 726 213
61 - 90 Days	15 492 795	1 605 230	422 458	17 520 482
+ 90 Days	361 216 096	45 043 173	13 322 680	419 581 949
Sub-total	442 895 119	57 202 027	25 290 891	525 388 037
Less: Provision for Impairment	290 807 507	2 327 191	-	293 134 698
Total Debtors by Customer Classification	152 087 612	54 874 836	25 290 891	232 253 339

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	293 134 698	193 137 160
Impairment Losses recognised	104 693 453	99 997 538
Amounts written off as uncollectable	(58 176)	-
Amounts reversed	569 802	-
Balance at end of year	398 339 776	293 134 698

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4.4 Ageing of impaired Consumer Debtors

0 - 30 Days	16 152 343	15 720 097
31 - 60 Days	7 043 359	483 909
+ 90 Days	375 144 074	276 930 691
Total	398 339 776	293 134 698

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates	103 538 855	65 788 706
Government Subsidy Claims	11 137 276	-
Miscellaneous debtors	5 070 261	5 361 739
	119 746 393	71 150 445
Less: Provision for Impairment	-	-
Total Other Debtors	119 746 393	71 150 445

Management of the municipality is of the opinion that the carrying value of trade receivables from non-exchange transactions approximate their fair value.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

5.1 Ageing of Consumer Debtors

Rates: Ageing

Current:

0 - 30 days	10 797 129	6 514 639
-------------	------------	-----------

Past Due:

31 - 60 Days	3 955 318	2 292 397
61 - 90 Days	3 412 904	1 752 516
+ 90 Days	85 373 505	55 229 155
Total	103 538 855	65 788 706

6. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	51 238 735	16 738 735
Bank Overdraft	(25 067 445)	(2 349 909)
Total Cash and Cash Equivalents	26 171 290	14 388 826

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.1 Current Investment Deposits		
Call Deposits	48 910 000	14 410 000
Notice Deposits	2 297 808	2 297 808
Total Current Investment Deposits	51 207 808	16 707 808

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 1.6% to 6.65% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate of 7.35 % per annum.

A fixed deposit of R 2 297 808 (2009: R 2 297 808) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

6.2 Bank Accounts

Cash book balance

Cash book balance at beginning of year	(2 349 909)	(32 757 359)
Cash book balance at end of year	<u>(25 067 445)</u>	<u>(2 349 909)</u>

The following disclosures in terms of Municipal Finance Management Act (MFMA) section 125 2(a):

Current Account (Primary Bank Account)

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road

Account Number 040065367

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	7 353 379	4 029 982
---	-----------	-----------

Bank statement balance at end of year / (overdrawn)	2 210 113	7 353 379
---	-----------	-----------

Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	58 529	83 866
---	--------	--------

Bank statement balance at end of year / (overdrawn)	6 407	58 529
---	-------	--------

Sub account -Traffic 040036340

Bank statement balance at beginning of year / (overdrawn)	-	-
---	---	---

Bank statement balance at end of year / (overdrawn)	-	-
---	---	---

Sub account -Stores 040065405

Bank statement balance at beginning of year / (overdrawn)	(33)	(30)
---	------	------

Bank statement balance at end of year / (overdrawn)	-	(33)
---	---	------

Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	(33)	(4 019)
---	------	---------

Bank statement balance at end of year / (overdrawn)	(240)	(33)
---	-------	------

Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	(33)	(30)
---	------	------

Bank statement balance at end of year / (overdrawn)	-	(33)
---	---	------

Interest on overdrawn current accounts are charged at the bank's prime rate per annum.

Interest is earned at different rates per annum on favourable balances.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.3 Cash and Cash equivalents		
Cash Floats and Advances	30 927	30 927
Cash on hand in Cash Floats, Advances and Equivalents	<u>30 927</u>	<u>30 927</u>
The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
7. OPERATING LEASE ASSETS / RECEIVABLES		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance as at 30 June	82 741	70 220
Operating Lease expenses recorded	514 248	446 623
Operating Lease payments effected	(512 938)	(434 102)
Total Operating Lease Assets	<u>84 051</u>	<u>82 741</u>
Operating Lease Assets have been restated to due to an error in the prior year. Refer to Note 39.1 on "Correction of Error" for details of the restatement.		
7.1 Leasing Arrangements		
The Municipality as Lessor:		
Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.		
Rental Revenue earned from Investment Property	25 200	25 200
7.2 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	448 098	409 373
2 to 5 years	710 721	618 651
More than 5 years	38 957	32 468
Total Operating Lease Arrangements	<u>1 197 776</u>	<u>1 060 492</u>
The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R1,310 (2009: R12,521).		
The following restrictions have been imposed by the municipality in terms of its lease agreements:		
(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.		
(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.		
(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.		
8. VAT RECEIVABLE FROM EXCHANGE TRANSACTIONS		
Vat Receivable from Exchange Transactions	<u>3 836 063</u>	<u>1 578 101</u>
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2010

Reconciliation of Carrying Value

Description	Infra- structure	Community	Other	Leased Infra- structure	Total
	R	R	R	R	R
Carrying values at 01 July 2009	425 870 131	75 941 908	57 809 225	6 677 732	566 298 997
Cost	697 694 757	96 486 845	77 739 103	8 913 239	880 833 944
- Completed Assets	661 883 359	94 817 498	77 739 103	8 913 239	843 353 199
- Under Construction	35 811 398	1 669 347	-	-	37 480 745
Accumulated Depreciation:	(271 824 626)	(20 544 937)	(19 929 878)	(2 235 507)	(314 534 948)
- Cost	(271 824 626)	(20 544 937)	(19 929 878)	(2 235 507)	(314 534 948)
Acquisitions	60 423 174	-	2 081 856	-	62 505 030
Capital under Construction - Additions	43 795 685	2 327 253	-	-	46 122 938
- Cost	43 795 685	2 327 253	-	-	46 122 938
Depreciation:	(15 188 460)	(3 573 550)	(8 525 964)	(1 142 202)	(28 430 176)
- Based on Cost	(15 188 460)	(3 573 550)	(8 525 964)	(1 142 202)	(28 430 176)
Carrying value of Transfers to Held-for-Sale:	-	-	(596 460)	-	(596 460)
- Cost	-	-	(961 776)	-	(961 776)
- Accumulated Depreciation	-	-	365 317	-	365 317
- Based on Cost	-	-	365 317	-	365 317
Capital under Construction - Completed	(6 953 742)	-	-	-	(6 953 742)
Other Movements	6 953 742	-	-	-	6 953 742
- Cost	6 953 742	-	-	-	6 953 742
Carrying values at 30 June 2010	514 900 531	74 695 610	50 768 657	5 535 531	645 900 329
Cost	801 913 616	98 814 097	78 859 183	8 913 239	988 500 136
- Completed Assets	729 260 275	94 817 498	78 859 183	8 913 239	911 850 196
- Under Construction	72 653 341	3 996 600	-	-	76 649 941
Accumulated Depreciation:	(287 013 085)	(24 118 487)	(28 090 526)	(3 377 709)	(342 599 807)
- Cost	(287 013 085)	(24 118 487)	(28 090 526)	(3 377 709)	(342 599 807)

30 June 2009

Reconciliation of Carrying Value

Description	Infra- structure	Community	Other	Leased Infra- structure	Total
	R	R	R	R	R
Carrying values at 01 July 2008	381 486 698	56 961 623	67 753 607	5 711 049	511 912 976
Cost	645 206 195	108 850 196	70 793 544	7 400 212	832 250 146
- Completed Assets	645 206 195	108 850 196	70 793 544	7 400 212	832 250 146
Accumulated Depreciation:	(263 719 497)	(51 888 573)	(3 039 937)	(1 689 163)	(320 337 170)
- Cost	(263 719 497)	(51 888 573)	(3 039 937)	(1 689 163)	(320 337 170)
Correction of error (Note 39)					
- Cost	591 608	(15 608 073)	(4 721 886)	21 740	(19 716 610)
- Accumulated Depreciation	5 324 454	34 880 259	(9 815 369)	507 917	30 897 261
Restated carrying values at 01 July 2008	387 402 760	76 233 809	53 216 352	6 240 706	523 093 627
Acquisitions	16 085 556	1 575 374	11 667 445	1 491 287	30 819 663
Capital under Construction - Additions	35 811 398	1 669 347	-	-	37 480 745
- Cost	28 001 388	9 479 357	-	-	37 480 745
Depreciation:	(13 429 583)	(3 536 623)	(7 074 572)	(1 054 261)	(25 095 039)
- Based on Cost	(13 429 583)	(3 536 623)	(7 074 572)	(1 054 261)	(25 095 039)
Carrying values at 30 June 2009	425 870 131	75 941 908	57 809 225	6 677 732	566 298 997
Cost	697 694 757	96 486 845	77 739 103	8 913 239	880 833 944
- Completed Assets	661 883 359	94 817 498	77 739 103	8 913 239	843 353 199
- Under Construction	35 811 398	1 669 347	-	-	37 480 745
Accumulated Depreciation:	(271 824 626)	(20 544 937)	(19 929 878)	(2 235 507)	(314 534 948)
- Cost	(271 824 626)	(20 544 937)	(19 929 878)	(2 235 507)	(314 534 948)

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

The Municipality unbundled its Asset Register which previously depicted its assets at globular amounts (per asset category) to individually componentised items (per asset category) during the current financial year. The unbundling process resulted in a number of movements within the respective asset categories, details of which are disclosed in Note 39 - "Correction of Errors", and Appendices "B, C and E (2)."

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
9. PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:		
Other	596 460	-
Carrying Value of PPE retired from active use and held for disposal	596 460	-

9.2 Assets pledged as security:

The municipality's obligations under Finance Leases (see Appendix B) are secured by the lessors' title to the leased assets, which have a carrying amount of:

5 535 531	6 677 732
------------------	------------------

10. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

3 425 872	4 560 172
------------------	------------------

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2009	4 560 172	4 560 172
Cost	6 228 770	6 228 770
Accumulated Amortisation	(1 668 598)	(1 668 598)
Acquisitions during the Year:	128 453	128 453
Purchased	128 453	128 453
Amortisation during the Year:	(1 262 753)	(1 262 753)
Purchased	(1 262 753)	(1 262 753)
Carrying values at 30 June 2010	3 425 872	3 425 872
Cost	6 357 222	6 357 222
Accumulated Amortisation	(2 931 350)	(2 931 350)
	Computer Software	Total
Carrying values at 01 July 2008	4 223 192	4 223 192
Cost	4 721 886	4 721 886
Accumulated Amortisation	(498 695)	(498 695)
Acquisitions during the Year:	1 506 883	1 506 883
Purchased	1 506 883	1 506 883
Amortisation during the Year:	(1 169 903)	(1 169 903)
Purchased	(1 169 903)	(1 169 903)
Carrying values at 30 June 2009	4 560 172	4 560 172
Cost	6 228 770	6 228 770
Accumulated Amortisation	(1 668 598)	(1 668 598)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
11. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>51 625 367</u>	<u>47 858 733</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	47 858 733	47 969 600
Cost	47 969 600	47 969 600
Accumulated Depreciation	(110 867)	-
Accumulated Impairment Losses	-	-
Acquisitions during the Year	3 877 500	-
Depreciation during the Year	(110 867)	(110 867)
Impairment Losses during the Year	-	-
Carrying values at 30 June	51 625 367	47 858 733
Cost	51 847 100	47 969 600
Accumulated Depreciation	(221 733)	(110 867)
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	<u>52 326 796</u>	<u>47 969 600</u>
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	25 200	25 200

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

12. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2010			
Car Loans	-	-	-
Less: Current Portion transferred to Current Receivables:-			
Car Loans			-
Total Long-term Receivables			<u>-</u>
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2009			
Car Loans	113 424	-	113 424
Less: Current Portion transferred to Current Receivables:-			
Car Loans	113 424	-	113 424
Total Long-term Receivables			<u>-</u>

CAR LOANS

Staff are entitled to car loans which attract interest at 8% for senior and 10% for junior staff per annum and which are repayable over a maximum period of 6 years. These loans have been repaid.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
13. CONSUMER DEPOSITS		
Electricity and Water	10 225 457	8 980 853
Total Consumer Deposits	10 225 457	8 980 853
Guarantees held in lieu of Electricity and Water Deposits	2 375 610	2 404 346

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

14. PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	2 905 680	2 634 996
Current Portion of Non-Current Provisions (See Note 20 below):	2 394 004	2 017 860
Ex-Gratia Arrangements	-	-
Long-term Service	2 394 004	2 017 860
Rehabilitation of Land-fill Sites	-	-
Total Provisions	5 299 684	4 652 856

15. CREDITORS

Trade Creditors	62 282 903	47 443 936
Payments received in Advance	23 244 937	14 035 042
Staff Bonuses	5 884 932	5 469 585
Other Creditors	52 884	53 632
Accrued Leave	15 670 232	11 208 015
Total Creditors	107 135 888	78 210 210

Accrued leave has been restated due to a calculation error as at 30 June 2009. Refer to Note 39 on "Correction of Error" for details on the restatement of accrued leave as at 30 June 2009.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

Accrued Leave accrues to the staff of the municipality on a monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
16.1 Conditional Grants from Government	3 436 299	6 377 864
Frances Baard District Municipality Grant (FBDM Grant)	2 381 493	1 977 095
Municipal Infrastructure Grant (MIG)	255 596	-
Provincial Grants	799 211	4 400 769
16.2 Other Conditional Receipts	-	51 381
Lotto Grant	-	51 381
Total Conditional Grants and Receipts	3 436 299	6 429 245

See Note 26 for the reconciliation of Grants from Other Spheres of Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Refer to Appendix "F" for more detail on Conditional Grants.

17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS

Vat Payable from Exchange Transactions	41 664 918	35 014 636
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		

18. LONG TERM LIABILITIES

Annuity Loans	66 591 061	65 238 116
Finance Lease Liabilities	5 181 428	6 628 702
Sub-total	71 772 488	71 866 818
Less: Current Portion transferred to Current Liabilities:-	8 163 443	7 024 588
Annuity Loans	6 190 928	5 577 314
Finance Lease Liabilities	1 972 514	1 447 274
Total Long-term Liabilities	63 609 046	64 842 231

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Refer to Appendix "A" for more detail on Long-term Liabilities.

18.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Office Equipment with lease terms of between 3 and 5 years (2009: 3 and 5 years). The effective interest rate on Finance Leases is between 1.51% and 15.7% (2009: 1.51% and 15.7%).

The municipality does not have an option to purchase the leased Office Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2010	2009	2010	2009
Amounts payable under finance leases:	R	R	R	R
Within one year	3 905 490	3 883 963	1 972 514	1 447 274
In the second to fifth years, inclusive	5 397 563	8 650 988	3 208 914	5 181 428
Over five years	-	-	-	-
	9 303 053	12 534 950	5 181 428	6 628 702
Less: Future Finance Obligations	4 121 625	5 906 248	-	-
Present Value of Minimum Lease Obligations	5 181 428	6 628 702	5 181 428	6 628 702
Less: Amounts due for settlement within 12 months (Current Portion)			1 972 514	1 447 274
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			3 208 914	5 181 428

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

2010
R
2009
R

18. LONG TERM LIABILITIES (Continued)

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the following significant leases:

- (i) Itec Digital Copier
- Instalments are payable monthly in advance
 - Average period outstanding 27 months
 - Average effective interest rate 4.08%
 - Average monthly instalment 32 000
- (ii) Samsung Office Server 500
- Instalments are payable monthly in advance
 - Average period outstanding 14 months
 - Average effective interest rate 2.67%
 - Average monthly instalment 22 890

19. RETIREMENT BENEFIT LIABILITIES

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	113 425 731	98 197 330
Contributions to Provision	(2 634 996)	(2 405 988)
Expenditure incurred	17 434 617	16 159 532
Actuarial (gain)/loss	(11 179 188)	1 474 857
Balance at end of Year	117 046 164	113 425 731
Transfer to Current Provisions	(2 905 680)	(2 634 996)
Total Post-retirement Health Care Benefits Liability	114 140 484	110 790 735

Retirement Benefit Liabilities have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 39 on "Correction of Error" for details of the restatement.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service (employee) members	1 329	1 329
In-service (employee) non-members	614	614
Continuation Members (retirees and widowers)	148	148
Total Members	2 091	2 091

The liability in respect of past service has been estimated as follows:

In-service Members	86 450 752	82 215 909
Continuation Members	30 595 412	31 209 822
Total Liability	117 046 164	113 425 731

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed

The Current-service cost for the year ending 30 June 2010 is R7,375,261, whereas interest-cost for the year is R10,059,356 the cost for the ensuing year is estimated to be R7,441,600 and R10,636,792 respectively (2009: R5,800,469 and R10,359,063 respectively).

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R			
19. RETIREMENT BENEFIT LIABILITIES (Continued)					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	10.68%	8.97%			
Health Care Cost Inflation Rate	9.56%	7.69%			
Net Effective Discount Rate	1.02%	1.19%			
Expected Rate of Salary Increase	5.51%	5.51%			
Expected Retirement Age - Females	58	58			
Expected Retirement Age - Males	62	62			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	113 425 731	98 197 330			
Current service costs	7 375 261	5 800 469			
Interest cost	10 059 356	10 359 063			
Contributions from plan participants	-	-			
Past-service costs	-	-			
Benefits paid	(2 634 996)	(2 405 988)			
Actuarial losses / (gains)	(11 179 188)	1 474 857			
Losses / (gains) on curtailments	-	-			
Liabilities extinguished on settlements	-	-			
Present Value of Fund Obligation at the end of the Year	117 046 164	113 425 731			
Actuarial losses / (gains) unrecognised	-	-			
Total Recognised Benefit Liability	117 046 164	113 425 731			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	117 046 164	113 425 731			
Total Benefit Liability	117 046 164	113 425 731			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	7 375 261	5 800 469			
Interest cost	10 059 356	10 359 063			
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	17 434 617	16 159 532			
The history of experienced adjustments is as follows:					
	2010 R	2009 R	2009 R	2008 R	2007 R
Present Value of Defined Benefit Obligation	117 046 164	113 425 731	98 197 330	-	-
Fair Value of Plan Assets	-	-	-	-	-
Deficit	117 046 164	113 425 731	98 197 330	-	-
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.					
	2010 R	2009 R			
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost	20 279 600	18 623 389			
Effect on the defined benefit obligation	132 363 000	130 158 000			
Decrease:					
Effect on the aggregate of the current service cost and the interest cost	14 790 900	14 007 129			
Effect on the defined benefit obligation	102 739 000	97 988 000			
Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.					

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
20. NON-CURRENT PROVISIONS		
Provision for Ex-Gratia Arrangements	381 297	413 564
Provision for Long Service Awards	6 674 375	6 752 934
Provision for Rehabilitation of Land-fill Sites	27 720 000	25 060 000
Total Non-current Provisions	34 775 672	32 226 498

Non-current Provisions have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 39 on "Correction of Error" for details of the restatement.

The movement in Non-current Provisions are reconciled as follows:

	Ex-Gratia Arrangements R	Long Service Awards R	Land-fill Sites R
30 June 2010			
Balance at beginning of year	413 564	8 770 794	25 060 000
Current service cost	-	1 634 749	-
Interest cost	38 071	712 659	-
Expenditure incurred / Contribution	-	(2 017 860)	2 660 000
Actuarial Loss / (Gain)	(70 338)	(31 963)	-
	381 297	9 068 379	27 720 000
Transfer to current provisions	-	(2 394 004)	-
Balance at end of year	381 297	6 674 375	27 720 000
30 June 2009			
Balance at beginning of year	396 597	8 371 062	25 060 000
Current service cost	43 454	1 455 066	-
Interest cost	-	820 482	-
Expenditure incurred / Contribution	-	(1 830 231)	-
Actuarial Loss / (Gain)	(26 487)	(45 585)	-
	413 564	8 770 794	25 060 000
Transfer to current provisions	-	(2 017 860)	-
Balance at end of year	413 564	6 752 934	25 060 000

20.1 Ex-Gratia Arrangements

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 2 employees were eligible for Ex-gratia arrangement awards.

The interest-costs for the current year is estimated to be R38,071 (2009: R43,454).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.01%	9.21%
Cost Inflation Rate	5.60%	5.64%
Net Effective Discount Rate	3.22%	3.37%
Expected Rate of Salary Increase	5.55%	5.55%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	413 564	396 597
Interest cost	38 071	43 454
Actuarial losses / (gains)	(70 338)	(26 487)
Present Value of Fund Obligation at the end of the Year	381 297	413 564
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	381 297	413 564

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
20. NON-CURRENT PROVISIONS (Continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	38 071	43 454
Actuarial losses / (gains)	(70 338)	(26 487)
Total Post-retirement Benefit included in Employee Related Costs	(32 267)	16 967

The history of experienced adjustments is as follows:

	2010 R	2009 R	2008 R	2007 R	2006 R
Present Value of Defined Benefit Obligation	381 297	413 564	396 597	-	-
Fair Value of Plan Assets	-	-	-	-	-
Deficit	381 297	413 564	396 597	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

	2010 R	2009 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the interest cost	417 709	456 616
Effect on the defined benefit obligation	42 034	48 290
Decrease:		
Effect on the aggregate of the interest cost	348 021	374 511
Effect on the defined benefit obligation	34 476	39 096

20.2 Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1,943 employees were eligible for Long-service Awards.

The current service cost for the year is estimated to be R1,634,749 (2009: R1,455,066), whereas the interest-costs for the current year is estimated to be R712,659 (2009: R820,482).

	2010 R	2009 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	10.97%	9.16%
Cost Inflation Rate	9.09%	6.57%
Net Effective Discount Rate	1.72%	2.42%
Expected Rate of Salary Increase	5.55%	5.55%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	8 770 794	8 371 062
Current service costs	1 634 749	1 455 066
Interest cost	712 659	820 482
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(2 017 860)	(1 830 231)
Actuarial losses / (gains)	(31 963)	(45 585)
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Present Value of Fund Obligation at the end of the Year	9 068 379	8 770 794
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	9 068 379	8 770 794

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
20. NON-CURRENT PROVISIONS (Continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	9 068 379	8 770 794
Total Benefit Liability	9 068 379	8 770 794
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1 634 749	1 455 066
Interest cost	712 659	820 482
Expected return on plan assets	-	-
Benefits paid	(2 017 860)	(1 830 231)
Actuarial losses / (gains)	(31 963)	(45 585)
Vested past service costs	-	-
Losses / (Gains) arising from curtailments or settlements	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	297 585	399 732

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was R0 (2009: R0).

The history of experienced adjustments is as follows:

	2010 R	2009 R	2009 R	2008 R	2007 R
Obligation	9 068 379	8 770 794	8 371 062	-	-
Fair Value of Plan Assets	-	-	-	-	-
Deficit	9 068 379	8 770 794	8 371 062	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

	2010 R	2009 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	2 456 845	2 381 376
Effect on the defined benefit obligation	9 486 000	9 167 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2 247 076	2 178 342
Effect on the defined benefit obligation	8 680 000	8 403 000

20.3 Rehabilitation of Land-fill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be in 2025 (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

27 720 000	25 060 000
------------	------------

An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Border area.

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	1 591 726	74 851
Self-insurance Reserve	16 817 826	16 733 761
C.O.I.D. Reserve	7 856 696	7 549 079
Accumulated Surplus / (Deficit) due to the results of Operations	609 054 567	516 216 367
Total Accumulated Surplus	635 320 814	540 574 058

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully cash backed.

The **Self-insurance Reserve** covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The **C.O.I.D. Reserve** arises on the exemption from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-Insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

			2010 R	2009 R
22. PROPERTY RATES				
	Property Valuations		Actual Levies	
	July 2010	July 2009		
	R000's	R000's		
Residential	9 029 693	8 723 457	61 973 170	59 549 607
Business	1 775 045	1 659 674	42 590 438	32 250 792
Residential Business	259 252	266 798	3 712 231	3 110 599
Rural	291 440	299 619	359 479	211 105
Industrial	116 911	116 407	3 891 032	3 393 148
PSI	613 840	694 438	1 187 780	1 343 738
State	1 312 664	645 981	75 184 120	28 453 508
Mining Areas	3 995	3 959	525 696	4 128 988
Exempt	366 463	282 928		
Total Assessment Rates	13 769 304	12 693 262	189 423 946	132 441 486

Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2007. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on an annual basis with the final date of payment being 30 September each year. Ratepayers can apply to pay rates monthly.

A general valuation has been performed during the financial year and will be applied with effect 1 July 2011.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A rebate of 20,00% (2008/2009: 20,00%) was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

	2010 R	2009 R
23. INTEREST EARNED		
External Investments:		
Interest	3 984 460	5 916 648
	3 984 460	5 916 648
Outstanding Debtors:		
Outstanding Debtors	39 476 418	36 334 394
	39 476 418	36 334 394
Total Interest Earned	43 460 878	42 251 042
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	3 984 460	5 916 648
Loans and Receivables	39 476 418	36 334 394
	43 460 878	42 251 042

24. SERVICE CHARGES		
Sale of Electricity	317 857 006	229 521 917
Sale of Water	102 037 221	119 111 946
Refuse Removal	29 329 663	26 788 032
Sewerage and Sanitation Charges	39 920 760	36 381 981
Other	315 789	31 734
Total Service Charges	489 460 439	411 835 609

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs, which are billed to the consumers on a monthly basis according to approved tariffs.

25. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Facilities and Equipment	11 126 139	10 786 956
Total Rental of Facilities and Equipment	11 126 139	10 786 956

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

26. GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	95 167 000	78 163 784
Provincial Health Subsidies	2 301 000	2 184 000
Other Subsidies	1 545 000	1 454 000
Operational Grants	99 013 000	81 801 784
Conditional Grants	119 626 955	72 978 274
National: FMG	750 000	950 082
National: MIG	39 207 404	23 624 969
National: Grants	3 339 197	2 808 690
National: EPWP	5 728 100	-
Provincial: Grants	69 422 879	40 929 435
Local Government: Local Municipalities Grant	1 127 994	4 175 948
Other Spheres of Government: Various Grants	51 381	489 151

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2010 R	2009 R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Operational Grants:		
26.1 National: Equitable Share	95 167 000	78 163 784
Equitable Share	95 167 000	78 163 784
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
26.2 Provincial: Health Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	2 301 000	2 184 000
- Environmental Health	208 000	197 000
- Primary Health	2 093 000	1 987 000
Conditions met - transferred to Revenue	(2 301 000)	(2 184 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to health services (included in Appendix F).		
26.3 Other Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts:	1 545 000	1 454 000
- Library	1 001 000	938 000
- Provincial Resort subsidy	544 000	516 000
Conditions met - transferred to Revenue	(1 545 000)	(1 454 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to resort expenditure (included in Appendix F). The conditions of the grant have been met.		
Conditional Grants:		
26.4 National: FMG Grant		
Balance unspent at beginning of year	-	200 082
Current year receipts	750 000	750 000
Conditions met - transferred to Revenue: Operating Expenses	(750 000)	(950 082)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
The grant is spent in accordance with National Treasury guidelines (included in Appendix F). No funds have been withheld.		
26.5 National: MIG Funds		
Balance unspent at beginning of year	-	10 124 969
Current year receipts	39 463 000	13 500 000
Conditions met - transferred to Revenue: Operating Expenses	(923 095)	(866 562)
Conditions met - transferred to Revenue: Capital Expenses	(38 284 310)	(22 758 407)
Conditions still to be met - transferred to Liabilities (see Note 16)	255 596	-
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
26.6 National: Funds		
Balance unspent at beginning of year	146 393	-
Current year receipts	3 192 804	2 955 083
Conditions met - transferred to Revenue: Operating Expenses	(996 393)	(588 607)
Conditions met - transferred to Revenue: Capital Expenses	(2 342 804)	(2 220 083)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	146 393
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
26.7 National - EPWP		
Balance unspent at beginning of year	-	-
Current year receipts	5 728 100	-
Conditions met - transferred to Revenue: Operating Expenses	(5 728 100)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
26.8 Provincial: Grants		
Balance unspent at beginning of year	4 254 376	15 310 662
Current year receipts	65 967 714	29 873 148
Conditions met - transferred to Revenue: Operating Expenses	(23 582 773)	-
Conditions met - transferred to Revenue: Capital Expenses	(45 840 106)	(40 929 435)

Conditions still to be met - transferred to Liabilities (see Note 16)

The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix F). No funds have been withheld.

799 211

4 254 376

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
26.9 Local Government - Local Municipalities		
Balance unspent at beginning of year	1 977 095	1 376 117
Current year receipts	1 532 392	4 776 926
Conditions met - transferred to Revenue: Operating Expenses	(113 767)	(1 746 680)
Conditions met - transferred to Revenue: Capital Expenses	(1 014 226)	(2 429 267)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>2 381 493</u>	<u>1 977 095</u>
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix F). No funds have been withheld.		
26.10 Other Government		
Balance unspent at beginning of year	51 381	540 532
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(51 381)	(489 151)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>51 381</u>
The grant is spent in accordance with business plans approved by the Lotto (included in Appendix F). No funds have been withheld.		
26.11 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
27. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations Received	3 877 500	-
Total Public Contributions and Donations	<u>3 877 500</u>	<u>-</u>
Donations Received comprise of a farm that was donated to the Municipality during the current year.		
28. OTHER INCOME		
Premiums received and claims recovered	3 151 891	2 835 460
Burial fees	1 305 796	1 163 039
Disconnections	5 989 940	4 720 466
Dues	3 340 479	2 976 717
Miscellaneous revenue	7 154 102	7 808 766
Sale of goods and land	11 793	2 735 132
Other Income	4 014 641	3 898 383
Total Other Income	<u>24 968 641</u>	<u>26 137 964</u>
The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	178 750 706	154 837 428
Employee Related Costs - Contributions for UIF and Medical Aids	21 486 515	18 580 192
Employee Related Costs - Contributions for Pensions	27 033 124	23 448 503
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	49 460 020	42 679 186
Housing Benefits and Allowances	2 201 948	2 835 569
Overtime Payments	10 922 840	8 216 425
Long-service Awards	5 712 254	5 024 522
Defined Benefit Plan Expense:	8 538 607	19 881 319
Current Service Cost	9 010 010	7 255 535
Interest Cost	10 810 086	11 222 999
Net Actuarial (gains)/losses recognised	(11 281 489)	1 402 785
Total Employee Related Costs	<u>304 106 014</u>	<u>275 503 145</u>
The comparative figures for Employee Related Costs have been restated to correct an error contained in the 2008/2009 Annual Financial Statements. Refer to note 39 on Correction of Errors for details of the restatement. No advances were made to employees. Loans to employees are set out in Note 12.		
Remuneration of the Municipal Manager		
Annual Remuneration	1 054 991	477 780
Performance Bonus	-	-
Car Allowance	126 822	227 888
Company Contributions to UIF, Medical and Pension Funds	189 885	203 499
Total	<u>1 371 697</u>	<u>909 167</u>
Remuneration of the Director: Finance		
Annual Remuneration	484 483	209 232
Performance Bonus	-	-
Car Allowance	186 219	106 677

Company Contributions to UIF, Medical and Pension Funds
Total
The post is vacant . Salary shown here is for the person acting in this position.

109 115	72 755
779 817	388 664

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
29. EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	548 797	418 464
Performance Bonus	-	-
Car Allowance	206 599	204 375
Company Contributions to UIF, Medical and Pension Funds	100 210	156 749
Total	855 606	779 588
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	399 072	418 464
Performance Bonus	-	-
Car Allowance	191 168	204 375
Company Contributions to UIF, Medical and Pension Funds	99 493	160 049
Total	689 733	782 888
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	491 204	-
Performance Bonus	-	-
Car Allowance	188 443	-
Company Contributions to UIF, Medical and Pension Funds	107 836	-
Total	787 483	-
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	549 516	418 704
Performance Bonus	-	-
Car Allowance	204 375	204 375
Company Contributions to UIF, Medical and Pension Funds	87 349	145 158
Total	841 240	768 237
The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:		
<i>Staff Leave Benefits:-</i>		
Municipal Manager	75 593	-
Chief Financial Officer	-	-
Director Community	-	-
Director Corporate	58 392	33 351
Director SED	36 782	86 341
Director Technical	89 329	25 271
Total	260 097	144 964
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	505 658	434 009
Speaker	407 775	419 150
Councillors	9 650 044	7 931 147
Contributions to UIF, Medical and Pension Funds and sundry allowances	906 508	789 689
Total Councillors' Remuneration	11 469 985	9 573 995
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor and Speaker serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Both have use of a Council owned vehicle for official duties.		
31. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	28 430 176	25 095 039
Amortisation: Intangible Assets	1 262 753	1 169 903
Depreciation: Investment Property	110 867	110 867
Total Depreciation and Amortisation	29 803 795	26 375 808
32. IMPAIRMENT LOSSES		
<i>32.1 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	104 693 453	99 997 538
Consumer Debtors	104 693 453	99 997 538
Other Debtors	-	-
	104 693 453	99 997 538
Total Impairment Losses	104 693 453	99 997 538
33. FINANCE COSTS		
Loans and Payables at amortised cost	6 494 138	6 565 741
Finance Leases	2 436 689	2 305 048
Total Interest Expense	8 930 826	8 870 789
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	8 930 826	8 870 789

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
34. BULK PURCHASES		
Electricity	168 913 892	125 796 282
Water	27 310 497	17 350 160
Total Bulk Purchases	196 224 388	143 146 442

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from the Department Water Affairs and Forestry.

35. GRANTS AND SUBSIDIES PAID

Subsidy paid to SPCA	350 000	300 000
Total Grants and Subsidies	350 000	300 000

The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.

36. GENERAL EXPENSES

Audit fees	2 838 929	2 161 807
Bank charges	908 730	761 069
Claims paid	1 133 848	666 454
Clarification	2 854 225	2 353 413
Conferences and seminars	2 920 070	2 750 542
Course fees /Central training fund	1 613 972	2 260 761
Electricity	24 809 590	14 627 140
Fuel	6 678 789	7 640 315
Hire of labour	1 957 816	1 323 436
Indigent subsidy	14 221 993	14 986 851
Insurance - other	2 445 773	2 389 968
Insurance - vehicles	617 966	282 025
Job creation cleaning project	5 820 037	8 632 025
Legal expenses	798 044	846 495
Loss of income bypassed electricity meters	18 007 053	6 774 767
Membership fees	1 477 504	1 062 358
Postage	1 452 188	1 586 703
Printing and stationary	2 192 755	1 666 237
Professional fees	20 995 239	10 419 764
Projects	30 585 418	47 970 478
Protective clothing	1 017 146	788 013
Sanitation	918 421	506 545
Stores	1 252 175	1 028 435
Subsidy services Projects	23 582 773	-
Sundries	412 351	1 528 557
Telephone expenditure	4 704 658	5 027 924
Training	854 306	1 835 831
Transport costs	78 334	5 555 595
Uniforms	713 086	1 226 237
Water	5 297 898	4 890 499
Ward committee activities	1 151 865	870 310
Workmen's compensation insurance	1 158 708	1 128 781
Other General Expenses	6 577 632	7 432 182
Total General Expenses	192 049 294	162 981 515

The comparative figures for General Expenses have been restated to correct an error contained in the 2008/2009 Annual Financial Statements. Refer to note 39 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

37. DISCONTINUED OPERATIONS

No operations have been discontinued.

38. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policy during the current financial year.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

2009
R

39. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Corrections to Post Retirement Liabilities	(106 964 989)
Corrections to External Loans	(16 527)
Corrections to Other Income	87 087
Corrections to Amortisation on Intangible Assets	(498 695)
Corrections to Depreciation on Property, Plant and Equipment	30 897 261
Corrections to Income	43 960
Corrections to Intangible assets	4 721 886
Corrections to Investment Property	47 969 600
Corrections to Property, Plant and Equipment	(19 716 610)
Increase / (Decrease) in Unappropriated Surplus Account	(43 477 026)
Increase / (Decrease) in Accumulated Surplus Account	(43 477 026)

39.1 Restatement of Revenue:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality. Refer to note 39.9 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2009 Revenue	2009 Correction	Restated Amount
Service Charges	406 650 596	5 185 013	411 835 609
Rental of Facilities and Equipment	10 760 696	26 260	10 786 956
Other Income	25 385 668	752 296	26 137 964
	442 796 960	5 963 568	448 760 529

39.2 Restatement of Expenditure:

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality. Refer to note 39.6 and 39.10 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2009 Expenditure	2009 Correction	Restated Amount
Employee Related Costs	259 603 835	15 899 310	275 503 145
Depreciation and Amortisation	47 833 480	(21 457 671)	26 375 808
Impairment Losses	74 000 000	25 997 538	99 997 538
General Expenses	124 278 987	12 079 633	136 358 620
	505 716 301	32 518 810	538 235 111

39.3 Restatement of Statement of Financial Position:

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2009 Fin Position	2009 Correction	Restated Amount
Accumulated Surplus	635 207 408	(94 633 350)	540 574 058
Long-term Liabilities	64 956 808	(114 577)	64 842 231
Retirement Benefit Liabilities	-	110 790 735	110 790 735
Non-Current Provisions	-	32 226 498	32 226 498
Provisions	-	4 652 856	4 652 856
Creditors	73 651 397	4 558 813	78 210 210
Current Portion of Long-term Liabilities	6 893 483	131 104	7 024 588
Property, Plant and Equipment	534 158 260	32 140 736	566 298 997
Intangible Assets	-	4 560 172	4 560 172
Investment Property	-	47 858 733	47 858 733
Inventory	15 791 080	458 758	16 249 838
Trade Receivables from Exchange Transactions	247 292 854	(80 828 221)	166 464 633
Operating Lease Assets	12 521	70 220	82 741

39.4 Recognition of Retirement Benefit Liabilities and Non-current Provisions:

The Municipality offers post-employment health care benefits to employees and retirees and to their registered dependants. The valuation has been performed and the prior year figures have been adjusted.

The Municipality has an obligation to rehabilitate its landfill site at an expected date of closure of 2025. The Municipality had not previously accounted for this liability in prior financial years. A valuation has been performed by an independent valuator to quantify the Municipality's exposure - the prior year figures have been adjusted to include this estimate.

The Municipality offers employees a Long-service Award (LSA) for every five years of service completed, from 10 years of service to 25 years, inclusive. The valuation has been performed and the prior year figures have been adjusted.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

39. CORRECTION OF ERROR (Continued)

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. The valuation of the arrangement was carried out for the first time on 30 June 2010.

The current portion of the non-current provisions in respect of the post-employment health care benefits and Long-service Awards have also been restated as a result of the first time recognition of these provisions as explained above. The quantum of these restatements are as indicated below (all restatements had the effect of reducing the accumulated surplus):

The effect of the Correction of Error is as follows:	Provisions	Retirement Liabilities	Non-current Provisions
Balances as per AFS previously published for 2008/2009	-	-	-
Recognition of liabilities to reflect the nature of non-current liabilities	4 652 856	110 790 735	32 226 498
Balances as per current AFS published for 2008/2009	4 652 856	110 790 735	32 226 498

39.5 Restatement of Finance Lease Liabilities:

A Finance Lease contract was erroneously excluded from the total Finance Lease Liability during the prior financial year. Finance Lease Liabilities have been restated to rectify this oversight, while the interest expense increased by R2,579, Hire of Equipment decreased by R6,000 and Accumulated Surplus increased by R1,791.

The effect of the Correction of Error is as follows:

	Finance Lease Liabilities
Balances as per AFS previously published for 2008/2009	6 612 175
Restatement of Finance Lease Liabilities	16 527
Balances as per current AFS published for 2008/2009	6 628 702

39.6 Restatement of Property, Plant and Equipment and Depreciation:

The Municipality unbundled its Asset Register during the current financial year. As a result, Property, Plant and Equipment (see note 9) and the Depreciation expense (see note 31) has been restated to reflect these changes for the 2008/2009 year as well as against Accumulated Surplus as indicated above.

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment	Depreciation
Balances as per AFS previously published for 2008/2009	534 158 260	47 833 480
Restatement of Property, Plant and Equipment and Depreciation	32 140 736	(22 738 441)
Balances as per current AFS published for 2008/2009	566 298 997	25 095 039

39.7 Recognition of Intangible Assets and Investment Property:

The Municipality erroneously did not account for its Intangible Assets (see Note 10) and Investment Property (see Note 11) for the prior year due to its Asset Register not being individually componentised. The Asset Register has since been unbundled and Intangible Assets and Investment Property are now recognised for the first time.

The effect of the Correction of Error is as follows:

	Intangible Assets	Investment Property
Balances as per AFS previously published for 2008/2009	-	-
Recognition of Intangible Assets and Investment Property	4 560 172	47 858 733
Balances as per current AFS published for 2008/2009	4 560 172	47 858 733

39.8 Restatement of Inventory - Water:

Water Inventory (see note 2) has been restated due to an error which was included in the prior year year-end inventory balance. The calculation thereof has been amended and the amount thereof restated.

The effect of the Correction of Error is as follows:

	Inventory - Water
Balances as per AFS previously published for 2008/2009	401 999
Restatement of Water Inventory	458 918
Balances as per current AFS published for 2008/2009	860 918

39.9 Adjustment of Revenue:

Included the restated prior year figure for Service Charges (see Note 24) is an increase in revenue from the estimated revenue foregone due to bypassed electricity meters of R6,7 million (previously stated as R nil) as well as a decrease in revenue of R1,6 million (previously stated as R nil) due to an error in assumptions made in relation to estimated electricity revenue in terms of the year-end cut-off procedures.

Included in the restated prior year figures for Other Income (see Note 28) is an amount of R0,6 million in relation to amounts previously erroneously classified as unknown deposits that have now been reclassified as revenue.

The prior year balance for Rental of Facilities and Equipment has been restated due to an erroneous journal that was passed during the prior year. The restatement has resulted in an increase in Revenue and the Operating Lease Asset for the 2008/2009 year as well as Accumulated Surplus.

The prior year balance for Rental of Facilities and Equipment has been restated due to an erroneous journal that was passed during the prior year. The restatement has resulted in an increase of R26,620 in Revenue and the Operating Lease Asset for the 2008/2009 year as well as Accumulated Surplus.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

39. CORRECTION OF ERROR (Continued)

The effect of the Correction of Error is as follows:

	Service	Other	and Equipment
	Charges	Income	
Revenue as per AFS previously published for 2008/2009	406 650 596	25 385 668	10 760 696
Adjustment of prior period revenue	5 185 013	752 296	26 260
Revenue as per AFS currently disclosed for 2008/2009	<u>411 835 609</u>	<u>26 137 964</u>	<u>10 786 956</u>

39.10 Adjustment of Expenses:

The prior year figure for the impairment of Trade Receivables from Exchange Transactions (refer to Note 5) have been restated due to erroneous assumptions being included in the prior year calculations. The balances of Impairment Losses (refer to note 32) as well as Trade Receivables from Exchange Transactions have, as a result, been restated.

The prior year figures of Employee Related Costs (Note 29) have been restated due to an error included in the prior year calculation of the Accumulated Leave Benefits, accounting for Retirement Benefit Liabilities for the first time.

The prior year figures of General Expenses (Note 36) have been restated due to a number of prior period errors discovered in the current financial year. Included in the restated amount, is an estimation of electricity revenue foregone due to bypassed electricity meters of R6,7 million (previously stated as R nil) as well as a settlement amount paid to IMS of R5 million (previously stated as R nil).

The effect of the Correction of Error is as follows:

	Impairment Losses	Employee Related Costs	General Expenses
Expenses as per AFS previously published for 2008/2009	74 000 000	259 603 835	124 278 987
Adjustment of prior period expenses	25 997 538	15 899 310	12 079 633
Expenses as per AFS currently disclosed for 2008/2009	<u>99 997 538</u>	<u>275 503 145</u>	<u>136 358 620</u>

39.11 Long-term Liabilities & current portion of Long-term Liabilities:

Long-term liabilities have been adjusted for an error included in the calculation in the short-term portion thereof (decrease in long-term portion and increase in short-term portion of R114,577). The short-term portion of long-term liabilities has further been restated (increase of R16,527) due to an error included within the finance lease liabilities during the prior financial year (refer to note 39.5 as above).

The effect of the Correction of Error is as follows:

	Long-term Liabilities	Short-term portion
Balances as per AFS previously published for 2008/2009	64 956 808	6 893 483
Adjustment for prior period error	(114 577)	131 104
Balances as per current AFS published for 2008/2009	<u>64 842 231</u>	<u>7 024 588</u>

39.12 Creditors:

Included in the prior year's restated creditors' balance is an amount of R5 million (increase in creditors and general expenses - refer to note 39.10) in respect of a settlement paid to IMS, R0,6 million in respect of previously unknown deposits recognised as revenue (decrease in creditors and increase in revenue - refer to note 39.9) and R0,15 million in respect a creditor that was erroneously not raised during the previous financial year (increase in creditors and general expenses).

The effect of the Correction of Error is as follows:

	Creditors
Balances as per AFS previously published for 2008/2009	73 651 397
Adjustment for prior period error	4 558 813
Balances as per current AFS published for 2008/2009	<u>78 210 210</u>

39.13 Trade Receivables from Exchange Transactions:

Included in the prior year's restated balance for Trade Receivables from Exchange Transactions is an amount of R28 million (decrease in Trade Receivables from Exchange Transactions and increase in impairment losses - refer to note 39.10) in respect of erroneous assumptions applied in the prior year impairment calculations as well as an amount of R1,6 million (decrease in Trade Receivables from Exchange Transactions and Service Charges) due to an error in the assumptions applied in relation to the estimated electricity revenue at year end (refer to note 39.9).

The effect of the Correction of Error is as follows:

	Trade Receivables from Exchange
Balances as per AFS previously published for 2008/2009	247 292 854
Adjustment for prior period error	(80 828 221)
Balances as per current AFS published for 2008/2009	<u>166 464 633</u>

39.14 Accumulated Surplus:

The municipality erroneously applied fund accounting principles in relation to the Capitalisation Reserve and the Government Grant Reserve during prior years. As these accounting principles are not allowed in terms of GRAP, these reserves were transferred to the Accumulated Surplus account. These transfers had the effect of increasing the accumulated surplus balance by R55,3 million (Capitalisation Reserve) and R269,3 million (Government Grant Reserve) respectively.

The effect of the Correction of Error is as follows:

	Capitalisation Reserve	Government Grant
Balances as per AFS previously published for 2008/2009	50 648 597	317 670 184

Adjustment for prior period error
Balances as per current AFS published for 2008/2009

(50 648 597)	(317 670 184)
-	-

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2010 R	2009 R
40. CHANGE IN ACCOUNTING ESTIMATES		
40.1 Depreciation Expenditure:		
The residual values and estimated useful lives of Property, Plant and Equipment were reviewed during the current financial year. Adjustments to the residual values and useful lives affect the amount of depreciation for the current and previous financial years, and is expected to affect future periods as well. Due to limited information available from the previous Asset Register (asset categories reflected at globular amounts), it is impracticable to illustrate the impact of the change in these estimates on the current and previous financial years.		
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	89 348 826	9 915 728
Adjustment for:		
Adjusting non cash flow items prior errors	-	2 082 109
Depreciation and Amortisation	29 803 795	26 375 808
Contribution to Impairment Provision	104 693 453	99 997 538
Bad Debts Recovered	569 802	-
Bad Debts Written-off	(58 176)	-
Investment Income	(43 460 878)	(42 251 042)
Finance Costs	8 930 826	8 870 789
Operating surplus before working capital changes	189 827 647	104 990 930
(Increase)/Decrease in Inventories	516 520	(3 390 175)
(Increase)/Decrease in Consumer Debtors	(89 995 079)	(82 599 784)
(Increase)/Decrease in Other Debtors	(48 595 947)	(56 532 130)
(Increase)/Decrease in VAT Receivable	(2 257 962)	2 554 541
(Increase)/Decrease in Operating Lease Assets	(1 310)	(12 521)
Increase/(Decrease) in Consumer Deposits	1 244 604	274 352
Increase/(Decrease) in Creditors	28 925 679	19 568 749
Increase/(Decrease) in Conditional Grants and Receipts	(2 992 945)	(21 123 117)
(increase)/Decrease in provisions	6 545 751	13 627 240
Increase/(Decrease) in VAT Payable	6 650 282	11 451 845
Cash generated by / (utilised in) Operations	89 867 238	(11 190 069)
Income for the year	991 068 134	788 846 294
Adjustment for:-		
Investment income	(43 460 878)	(42 251 042)
(Increase)/decrease in Consumer Debtors	(89 995 079)	(82 599 784)
Bad Debts Recovered	569 802	-
Bad Debts Written-off	(58 176)	-
(Increase)/Decrease in Operating Lease Assets	(1 310)	(12 521)
Increase/(Decrease) in Consumer Deposits	1 244 604	274 352
(Increase)/decrease in other debtors	(48 595 947)	(56 532 130)
(Decrease)/increase in conditional grants and receipts	(2 992 945)	(21 123 117)
Cash receipts from ratepayers, government and other	807 778 202	586 602 053
Expenditure for the year	901 719 308	778 930 566
Adjustment for:-		
Depreciation	29 803 795	26 375 808
Contribution to bad debt provision	104 693 453	99 997 538
Adjusting non cash flow items prior errors	-	2 082 109
Interest paid	8 930 826	8 870 789
Operating expenditure before working capital changes:	758 291 233	641 604 322
(Increase)/Decrease in inventories	516 520	(3 390 175)
(Decrease)/Increase in creditors	28 925 679	19 568 749
(Increase)/Decrease in provisions	6 545 751	13 627 240
(decrease)/Increase in VAT	4 392 320	14 006 386
Cash paid to suppliers and employees	717 910 964	597 792 122
Cash generated by/(utilized in) operations	89 867 238	(11 190 069)
42. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year.		
43. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	400 000	400 000
44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 18)	71 772 488	71 866 818
Used to finance Property, Plant and Equipment - at cost	(71 772 488)	(71 866 818)
	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

	2010 R	2009 R	2008 R
Reconciliation of Unauthorised Expenditure:			
Opening balance	1 778 280	1 778 280	69 500
Unauthorised Expenditure current year	-	-	1 708 780
Approved by Council or condoned	-	-	-
Unauthorised Expenditure awaiting authorisation	<u>1 778 280</u>	<u>1 778 280</u>	<u>1 778 280</u>

45.2 Fruitless and Wasteful Expenditure

	2010 R	2009 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	669 351	-
Fruitless and Wasteful Expenditure current year	57 938	669 351
Fruitless and Wasteful Expenditure awaiting condonement	<u>727 289</u>	<u>669 351</u>

Incident	Disciplinary Steps / Criminal Proceedings
Termination of contract for the construction of SMME Galeshewe.	The project is still in the IDP and Budget of the municipality; the value of work done not written off.
Overpayments to Councillors on implementation of the upper limits gazette.	Item submitted to M.E.C. Of COGHTA and Council for ratification.
Failure to produce quality work on contract awarded.	A report was delivered by Rehoboth but was not sufficient (scope of work was not detailed enough).
Interest paid on late payments (DBSA and employee benefits).	Project could not start in time for various reasons. DBSA charged commitment fee on funds secured and not drawn according to agreement.
Late payment of pension fund contributions.	The messenger responsible for cheque depositing was counselled.

45.3 Irregular Expenditure

	2010 R	2009 R	2008 R
Reconciliation of Irregular Expenditure:			
Opening balance	48 697 855	30 737 536	-
Irregular Expenditure current year	47 955 068	17 960 319	30 737 536
Condoned or written off by Council	-	-	-
Irregular Expenditure awaiting condonement	<u>96 652 923</u>	<u>48 697 855</u>	<u>30 737 536</u>

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2010 R	2009 R
46.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	1 467 624	1 058 308
Amount Paid - current year	(1 467 624)	(1 058 308)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	2 838 929	2 161 807
Amount Paid - current year	(2 838 929)	(2 161 807)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Note 8 and 17. All VAT returns have been submitted by the due date throughout the year.

46.4 PAYE and UIF

Opening Balance	-	-
Current year Payroll Deductions	29 718 762	30 025 998
Amount Paid - current year	(29 718 762)	(30 025 998)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	71 961 371	61 485 093
Amount Paid - current year	(71 961 371)	(61 485 093)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2010	Total	Outstanding up to 90 days	Outstanding more than 90 days
Beyliefeld MJ	682	682	-
De Kock KJ	507	398	109
Kruger LE	21 632	3 065	18 568
Leven MM	1 737	1 737	-
Louw PJF	1 600	1 600	-
Mashodi SC	2 254	983	1 271
Mathe E	5 448	868	4 580
Matsekete LT	28 989	3 218	25 771
Mohulatsi KB	244	244	-
Morwe RT	11 224	1 861	9 362
Motsage J	8 147	3 290	4 857
Ngobeza WN	128	128	-
Nkomo MS & GR	940	940	-
Settley V	2 202	159	2 043
Swanepoel F	7 499	719	6 779
Williams LE	11 277	1 390	9 887
Total Councillor Arrear Consumer Accounts	104 509	21 282	83 226

30 June 2009	Total	Outstanding up to 90 days	Outstanding more than 90 days
Steyn JL	13 857	0	13 857
Matsekete LT	5 624	1 370	4 254
Mathe EM	4 048	1 105	2 944
De Kock WE	1 100	1 036	64
Motsage J	1 758	572	1 187
Mafooa LE	1 158	0	1 158
Davids I	4 919	4 505	414
Oliphant J	2 613	554	2 059
Total Councillor Arrear Consumer Accounts	35 078	9 142	25 936

46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to appendix G).

46.9 Material losses

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 35.38% (2009 :28%) is disclosed to the amount of:

10 126 587 5 034 159

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

6 644 905	9 617 251
6 644 905	9 617 251

- Approved but Not Yet Contracted for:-

Infrastructure

Community

Other

533 862 000	246 465 513
349 042 000	149 329 513
122 600 000	3 993 000
62 220 000	93 143 000

Total Capital Commitments

540 506 905	256 082 764
--------------------	--------------------

This expenditure will be financed from:

External Loans

Government Grants

District Council Grants

Own Resources

230 000 000	38 826 000
263 506 905	211 156 764
-	1 000 000
47 000 000	5 100 000
540 506 905	256 082 764

47.2 Lease Commitments

Commitments under Finance Leases are disclosed in Note 18.

47.3 Other Commitments

Retention Money (not included in creditors)
Retentions refer to construction contracts.

8 099 845

5 235 020

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

48. FINANCIAL INSTRUMENTS		2010 R	2009 R
48.1 Classification			
FINANCIAL ASSETS:			
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Consumer Debtors			
Electricity	Loans and receivables	23 091 932	24 744 662
Refuse	Loans and receivables	11 518 837	12 461 110
Sewerage	Loans and receivables	13 925 170	14 836 416
Water	Loans and receivables	35 495 508	39 650 914
Miscellaneous	Loans and receivables	63 079 305	70 829 619
Market	Loans and receivables	457 868	203 155
Housing Debtors	Loans and receivables	3 686 015	3 738 758
Other Debtors			
Assessment Rates	Loans and receivables	103 538 855	65 788 706
Government Subsidy Claims	Loans and receivables	11 137 276	-
Miscellaneous debtors	Loans and receivables	5 070 261	5 361 739
Bank, Cash and Cash Equivalents			
Call Deposits	Available for sale	48 910 000	14 410 000
Notice Deposits	Held to maturity	2 297 808	2 297 808
Cash Floats and Advances	Available for sale	30 927	30 927
Operating Lease Assets			
Operating Lease Assets / Receivables	Loans and receivables	84 051	82 741
Current Portion of Long-term Receivables			
Car Loans	Loans and receivables	-	113 424
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Short-term Investment Deposits	Notice Deposits	2 297 808	2 297 808
		<u>2 297 808</u>	<u>2 297 808</u>
Loans and Receivables			
Consumer Debtors	Assessment Rates	103 538 855	65 788 706
Consumer Debtors	Electricity	23 091 932	24 744 662
Consumer Debtors	Refuse	11 518 837	12 461 110
Consumer Debtors	Sewerage	13 925 170	14 836 416
Consumer Debtors	Water	35 495 508	39 650 914
Consumer Debtors	Miscellaneous	63 079 305	70 829 619
Consumer Debtors	Market	457 868	203 155
Consumer Debtors	Housing Debtors	3 686 015	3 738 758
Other Debtors	Government Subsidy Claims	11 137 276	-
Other Debtors	Miscellaneous debtors	5 070 261	5 361 739
Operating Lease Assets	Operating Lease Assets / Receivables	84 051	82 741
Current Portion of Long-term Receivables	Car Loans	-	113 424
		<u>271 085 078</u>	<u>237 811 243</u>
Available for Sale:			
Bank Balances and Cash	Cash Floats and Advances	30 927	30 927
Short-term Investment Deposits	Call Deposits	48 910 000	14 410 000
		<u>48 940 927</u>	<u>14 440 927</u>
Total Financial Assets		<u>322 323 813</u>	<u>254 549 978</u>
FINANCIAL LIABILITIES:			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	60 400 132	59 660 803
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	10 225 457	8 980 853
Creditors			
Trade Creditors	Financial liabilities at amortised cost	62 282 903	47 443 936
Other Creditors	Financial liabilities at amortised cost	52 884	53 632
Payments received in Advance	Financial liabilities at amortised cost	23 244 937	14 035 042
Staff Bonuses	Financial liabilities at amortised cost	5 884 932	5 469 585
Accrued leave	Financial liabilities at amortised cost	15 670 232	11 208 015

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

		2010 R	2009 R
48. FINANCIAL INSTRUMENTS (Continued)			
	<u>Financial Liabilities</u>		
	<u>Classification</u>		
	Unspent Conditional Grants and Receipts		
Conditional Grants from Government	Financial liabilities at amortised cost	3 436 299	6 377 864
Other Conditional Receipts	Financial liabilities at amortised cost	-	51 381
	Bank Overdraft		
Bank Overdraft	Financial liabilities at amortised cost	25 067 445	2 349 909
	Current Portion of Long-term Liabilities		
Annuity Loans	Financial liabilities at amortised cost	6 190 928	5 577 314
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	60 400 132	59 660 803
Consumer Deposits	Electricity and Water	10 225 457	8 980 853
Creditors	Trade Creditors	62 282 903	47 443 936
Creditors	Other Creditors	52 884	53 632
Unspent Conditional Grants and Receipts	Conditional Grants from Government	3 436 299	6 377 864
Unspent Conditional Grants and Receipts	Other Conditional Receipts	-	51 381
Bank Overdraft	Bank Overdraft	25 067 445	2 349 909
Current Portion of Long-term Liabilities	Annuity Loans	6 190 928	5 577 314
Creditors	Payments received in Advance	23 244 937	14 035 042
Creditors	Staff Bonuses	5 884 932	5 469 585
Creditors	Accrued leave	15 670 232	11 208 015
		<u>167 656 049</u>	<u>130 495 692</u>
Total Financial Liabilities		<u><u>167 656 049</u></u>	<u><u>130 495 692</u></u>

48.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the fair value of financial assets and liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

	30 June 2010		30 June 2009	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:	51 207 808	51 207 808	16 707 808	16 707 808
Call Deposits	48 910 000	48 910 000	14 410 000	14 410 000
Notice Deposits	2 297 808	2 297 808	2 297 808	2 297 808
Loans and Receivables	271 085 078	271 085 078	237 811 243	237 811 243
Consumer Debtors	254 793 489	254 793 489	232 253 339	232 253 339
Other Debtors	16 207 537	16 207 537	5 361 739	5 361 739
Operating Lease Assets	84 051	84 051	82 741	82 741
Current Portion of Long-term Receivables	-	-	113 424	113 424
Available for Sale	30 927	30 927	30 927	30 927
Bank Balances and Cash	30 927	30 927	30 927	30 927
Total Financial Assets	<u>322 323 813</u>	<u>322 323 813</u>	<u>254 549 978</u>	<u>254 549 978</u>
	30 June 2010	Fair Value	30 June 2009	Fair Value
	Carrying Amount R	R	Carrying Amount R	R
FINANCIAL LIABILITIES				
Designated as FVTPL:	247 150 823	247 150 823	175 564 800	175 564 800
Unsecured Bank Facilities:	85 467 577	85 467 577	62 010 712	62 010 712
- Annuity Loans	60 400 132	60 400 132	59 660 803	59 660 803
- Bank Overdraft	25 067 445	25 067 445	2 349 909	2 349 909
Trade and Other Payables:	161 683 245	161 683 245	113 554 088	113 554 088
- Consumer Deposits	10 225 457	10 225 457	8 980 853	8 980 853
- Creditors	141 830 561	141 830 561	92 566 677	92 566 677
- Unspent Conditional Grants	3 436 299	3 436 299	6 429 245	6 429 245
- Current Portion of Long-term Liabilities	6 190 928	6 190 928	5 577 314	5 577 314
Total Financial Liabilities	<u>247 150 823</u>	<u>247 150 823</u>	<u>175 564 800</u>	<u>175 564 800</u>
	79 494 773.97		45 069 108.69	
Total Financial Instruments	<u>75 172 990</u>	<u>75 172 990</u>	<u>78 985 178</u>	<u>78 985 178</u>
Unrecognised Gain / (Loss)		<u>-</u>		<u>-</u>

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2010	2009
	R	R

48. FINANCIAL INSTRUMENTS (Continued)

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 6 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

Net Debt	247 150 823	175 564 800
Equity	629 922 885	540 574 058
Net debt to equity ratio	39.24%	32.48%

Debt is defined as Long- and Short-term Liabilities, as detailed in the notes.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

48.4 Financial Risk Management Objectives

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

48.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6 below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in exchange rate fluctuations.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

2010
R

2009
R

48. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

SENSITIVITY ANALYSIS - INTEREST RATE

Effect of a change in interest rate on interest bearing financial assets and liabilities

<u>Financial Assets</u>	<u>Classification</u>		
<u>External investments:</u>			
Call Deposits	Held to maturity	48 910 000	14 410 000
Notice Deposits	Held to maturity	2 297 808	2 297 808
Bank Balances	Available for Sale	30 927	30 927
		51 238 735	16 738 735
<u>Interest received</u>			
Interest Earned - External Investments		3 984 460	5 916 648
Interest rate		8%	35%

Effect of a change in interest rate on interest earned from external investments:

Effect of change in interest rate	%	7%	34%
Effect of change in interest rate	Rand value	3 472 073	5 749 260
Effect of change in interest rate	%	9%	36%
Effect of change in interest rate	Rand value	4 496 847	6 084 035

Outstanding debtors:

Consumer Debtors	Loans and receivables	254 793 489	232 253 339
Other Debtors	Loans and receivables	16 207 537	5 361 739
Current portion - Long-term Receivables	Loans and receivables		113 424
		271 001 027	237 728 503

Interest received

Interest Earned - Outstanding Debtors		39 476 418	36 334 394
Interest rate		15%	15%

Effect of a change in interest rate on interest earned from outstanding debtors

Effect of change in interest rate	%	14%	14%
Effect of change in interest rate	Rand value	36 766 408	33 957 109
Effect of change in interest rate	%	16%	16%
Effect of change in interest rate	Rand value	42 186 429	38 711 679

Financial Liabilities

<u>Long-term Liabilities</u>	<u>Classification</u>		
Annuity Loans	Not valued at FVTPL	60 400 132	59 660 803
Annuity Loans - current portion	Not valued at FVTPL	6 190 928	5 577 314
		66 591 061	65 238 116

Interest paid

Long-term Liabilities		8 930 826	8 870 789
Interest rate %		13%	14%

Effect of a change in interest rate on interest paid on long-term liabilities

Effect of change in interest rate	%	12%	13%
Effect of change in interest rate	Rand value	8 264 916	8 218 408
Effect of change in interest rate	%	14%	15%
Effect of change in interest rate	Rand value	9 596 737	9 523 170

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

48. FINANCIAL INSTRUMENTS (Continued)

48.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2010

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		66 591 061	11 472	666	75 055	11 972 634	54 531 233
Loan No 10112 : DBSA	10.00%	11 908 635				11 908 635	
Loan No 10113 : DBSA	12.00%	10 779 936					10 779 936
Loan No 10616 : DBSA	12.00%	4 380 336					4 380 336
Loan No 101452: DBSA	10.91%	11 490 516					11 490 516
Loan No 1 : DBSA	12.61%	15 821 851					15 821 851
Loan No 2 : DBSA	13.12%	5 774 831					5 774 831
Loan No 3 : DBSA	6.75%	2 880 248					2 880 248
Loan No 4 : DBSA	6.75%	3 403 515					3 403 515
Loan No 4 : DBCM	11.25%	11 472	11 472				
Loan No 5 : DBCM	11.25%	666		666			
Loan No 6 : DBCM	11.25%	42 264			42 264		
Loan No 7 : DBCM	11.25%	32 791			32 791		
Loan No 8 : DBCM	11.25%	51 589				51 589	
Loan No 9 : DBCM	11.25%	6 939				6 939	
Loan No 10 : DBCM	11.25%	5 471				5 471	
Total Fixed Rate Instruments		66 591 061	11 472	666	75 055	11 972 634	54 531 233
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		51 207 808		51 207 808			
Bank Balances and Cash		30 927	30 927				
Housing guarantees		230 600					230 600
Total Variable Rate Instruments		51 469 335	30 927	51 207 808	-	-	230 600

30 June 2009

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities		65 238 116	-	36 944	33 881	190 878	64 976 414
Loan No 10112 : DBSA	10.00%	15 315 931					15 315 931
Loan No 10113 : DBSA	12.00%	13 302 718					13 302 718
Loan No 10616 : DBSA	12.00%	5 253 340					5 253 340
Loan No 101452: DBSA	10.91%	12 155 664					12 155 664
Loan No 1 : DBSA	12.61%	5 639 747					5 639 747
Loan No 2 : DBSA	13.12%	6 456 635					6 456 635
Loan No 3 : DBSA	6.75%	2 945 960					2 945 960
Loan No 4 : DBSA	6.75%	3 899 733					3 899 733
Loan No 2 : DBCM	11.25%	1 775		1 775			
Loan No 3 : DBCM	11.25%	35 168		35 168			
Loan No 4 : DBCM	11.25%	32 618			32 618		
Loan No 5 : DBCM	11.25%	1 264			1 264		
Loan No 6 : DBCM	11.25%	66 821				66 821	
Loan No 7 : DBCM	11.25%	46 684				46 684	
Loan No 8 : DBCM	11.25%	68 583				68 583	
Loan No 9 : DBCM	11.25%	8 790				8 790	
Loan No 10 : DBCM	11.25%	6 686					6 686
Total Fixed Rate Instruments		65 238 116	-	36 944	33 881	190 878	64 976 414
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		16 707 808		16 707 808			
Bank Balances and Cash		30 927	30 927				
Housing guarantees		354 120					354 120
Total Variable Rate Instruments		17 092 855	30 927	16 707 808	-	-	354 120

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2010

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		10 225 457					10 225 457
- Creditors		107 135 888	107 135 888				
- Unspent Conditional Grants		3 436 299		3 436 299			
Variable Interest Rate Instruments							
- Bank Overdraft		25 067 445	25 067 445				
Fixed Interest Rate Instruments							
Loan No 10112 : DBSA	10.00%	20 621 464	1 686 506	1 686 506	3 373 012	10 119 037	3 756 403
Loan No 10113 : DBSA	12.00%	17 595 911	1 390 120	1 390 120	2 780 239	8 340 718	3 694 714
Loan No 10616 : DBSA	12.00%	7 474 452	504 931	504 931	1 009 863	3 029 589	2 425 137
Loan No 101452: DBSA	10.91%	18 730 565	987 050	987 050	1 974 100	5 922 299	8 860 067
Loan No 1 : DBSA	12.61%	14 190 958	-	394 193	788 387	2 365 160	10 643 219
Loan No 2 : DBSA	13.12%	9 633 514	753 827	753 827	1 507 653	4 522 960	2 095 248
Loan No 3 : DBSA	6.75%	4 271 371	-	164 284	328 567	985 701	2 792 820
Loan No 4 : DBSA	6.75%	4 130 347	375 658	375 658	751 317	2 253 951	373 762
Loan No 4 : DBCM	11.25%	12 118	12 118				
Loan No 5 : DBCM	11.25%	724	362	362			
Loan No 6 : DBCM	11.25%	62 807	15 702	15 702	31 403		
Loan No 7 : DBCM	11.25%	56 289	9 383	9 383	18 762	18 762	
Loan No 8 : DBCM	11.25%	60 613	12 122	12 122	24 244	12 124	
Loan No 9 : DBCM	11.25%	8 368	1 394	1 394	2 789	2 791	
Loan No 10 : DBCM	11.25%	6 770	967	967	1 934	2 902	
Finance Lease Liabilities		9 303 053	-	3 905 490	-	5 397 563	-
Total		252 024 412	137 953 473	13 638 287	12 592 270	42 973 555	44 866 826

30 June 2009

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		8 980 853					8 980 853
- Creditors		78 210 210	78 210 210				
- Unspent Conditional Grants		6 429 245		6 429 245			
Variable Interest Rate Instruments							
- Bank Overdraft		2 349 909	2 349 909				
Fixed Interest Rate Instruments							
Loan No 10112 : DBSA	10.00%	20 958 776	1 686 506	1 686 506	3 373 012	10 119 037	4 093 715
Loan No 10113 : DBSA	12.00%	20 376 150	1 390 120	1 390 120	2 780 239	8 340 718	6 474 953
Loan No 10616 : DBSA	12.00%	8 484 315	504 931	504 931	1 009 863	3 029 589	3 435 000
Loan No 101452: DBSA	10.91%	20 704 665	987 050	987 050	1 974 100	5 922 299	10 834 167
Loan No 1 : DBSA	12.61%	14 979 345	-	394 193	788 387	2 365 160	11 431 606
Loan No 2 : DBSA	13.12%	9 791 167	753 827	753 827	1 507 653	4 522 960	2 252 901
Loan No 3 : DBSA	6.75%	4 599 938	-	164 284	328 567	985 701	3 121 387
Loan No 4 : DBSA	6.75%	4 881 663	375 658	375 658	751 317	2 253 951	1 125 078
Loan No 2 : DBCM	11.25%	1 877	1 877				
Loan No 3 : DBCM	11.25%	38 162	19 081	19 081			
Loan No 4 : DBCM	11.25%	36 355	12 118	12 118	12 119		
Loan No 5 : DBCM	11.25%	1 446	362	362	722		
Loan No 6 : DBCM	11.25%	78 507	15 702	15 702	31 403	15 701	
Loan No 7 : DBCM	11.25%	56 292	9 383	9 383	18 765	18 762	
Loan No 8 : DBCM	11.25%	84 857	12 122	12 122	24 244	36 368	
Loan No 9 : DBCM	11.25%	11 157	1 394	1 394	2 789	5 580	
Loan No 10 : DBCM	11.25%	8 704	967	967	1 934	4 836	
Finance Lease Liabilities		12 534 950	-	3 883 963	-	8 650 988	-
Total		213 598 542	86 331 216	16 640 905	12 605 114	46 271 648	51 749 659

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

48. FINANCIAL INSTRUMENTS (Continued)

48.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are evaluated annually at balance sheet date for impairment.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location	30 June 2010 Carrying Amount R	30 June 2009 Carrying Amount R
Call investment deposits	51 207 808	16 707 808
Department of Housing and Local Government	15 357 717	13 615 606
Promadev PTY (LTD)	2 109 843	1 839 626
Diamond Knitting (PTY) LTD	1 968 868	1 731 040
National Road Agency	11 017 600	8 475 876

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2010 R	2009 R
Fixed Deposit Investments	51 207 808	16 707 808
Finance Lease Receivables	1 197 776	1 060 492
Consumer Debtors	151 254 634	166 464 633
Other Debtors	119 746 393	71 150 445
Bank, Cash and Cash Equivalents	30 927	30 927
Operating Lease Assets	84 051	82 741
Housing guarantees	230 600	354 120
Maximum Credit and Interest Risk Exposure	323 752 189	255 851 166

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

All participating councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Cape Retirement Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

2010
R

2009
R

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These following contributions have been expensed:

27 033 124 23 448 503

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. None of the below mentioned Funds are State Plans.

Municipal Councillors Pension Fund:

The actuarial valuator of the Pension Fund for councillors on 30 June 2008 stated that it is in a sound financial position. The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. No further details could be provided for after the last valuation, being 30 June 2008.

Cape Joint Pension Fund:

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2009 and has been valued by making use of the Discounted Cash Flow method of valuation.

The statutory valuation performed as at 30 June 2009 revealed that the fund had a surplus of R0 (30 June 2008: R182,7 million), with a funding level of 100% (30 June 2008: 106.5%). The recommended total contribution rate of 32.1% of pensionable salaries exceeds the total current contribution of 27% of salaries. This shortfall translates to about R9.2 million per year.

The Cape Joint Pension Fund had a shortfall from its actual earnings on investment for the period ended 30 June 2009. The Municipality's portion of the total liability of R195,856,424 amounts to R11,477,186.

Cape Retirement Fund:

The 30 June 2009 valuator state that Cape Retirement Fund is in a sound financial condition.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund has a funding level of 100.3% (30 June 2008 - 103.3%). The contribution rate paid by the members (9%) and Municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

At the valuation date of 1 July 2009 the SALA pension fund was 96% (1 July 2006: 110%) funded. The valuator indicated that although the fund was less than 100% funded at the valuation date, no additional action was required at that stage to rectify the situation. The valuator recommended that the employers continue to contribute at the current rate.

Municipal Employees Pension Fund:

No details could be provided on the fund or any valuation performed.

South African Municipal Workers Union National Provident Fund:

The SAMWUN Provident Fund operates as a defined contribution fund. At the last valuation date of 30 June 2005 the Fund was 100% funded. The valuator recommended that to retain a sound financial position, the members and employer continue to contribute at the current rate.

50. RELATED PARTY TRANSACTIONS

50.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Bogacwi, KA	Executive Director: Infrastructure	Directorships & Partnerships – Learamale Investment Pty Ltd, Ditsamme Trade & Invest (Close corporation), Isnakolo Farming (Close corporation), Kammona Consulting (Close corporation).
Molepo, NP	Chief Internal Auditor	Directorships & Partnerships – Rebaummogo Bed & Breakfast.
Sebolewe, KR	Executive Director: Community Services	Directorship & Partnerships – Clisa 22 CC (Commercial).
Stols, MM	IDP Manager	Directorships & Partnerships – Leopont 553 Properties (Pty) Ltd (no income).
Tyabashe, N	Executive Director: SED	JM & N Trading (CC member), Nqobile Planners & Development Specialists T/a N12 (CC member).
Akharwaray, GH	Municipal Manager	Directorships - GHA Property Investment, Gulshin Properties, Price Smartt Cash and Carry, PARMTRO Investment, Swanvest 356, Vecto Trade 465, Price Smart Technologies.
Mahloko, ZL	Acting CFO	50% interest in Intelligence Combinations Trading CC.
Chwarisang, M	Councillor	Directorship – Thara Shera & Imvusa Trading Company (dormant).
Diraditsile, MV	Councillor	Directorship – Kutlwanong Civic Integrated Housing Trust; IMVume CC21 (Dormant); Sponsorships & Grants – Pikwana Diamonds, Bafana Supporters Sorts Shirts.
Everyday, P	Councillor	Directorships & Partnerships – Oliday Mining (not yet operational).
Fourie, OC	Councillor	Shares – Rooiheuwels Sand (Bpk) Minerals; Directorships & Partnerships – ERO Sales, Services & Manufacturing CC (Engineering) (Dormant).
Leven, MM	Councillor	Shares – Linri SA (Pty) Ltd (Sole proprietor).
Louw, PJF	Councillor	Directorships & Partnerships PM Family Trust, Gentec, Wibec.
Mbasa, W	Councillor	Directorships & Partnerships – Coalition Trading.
Nhlapo, MG	Councillor	Shares – 60% Gopelang Cleaning Service; Directorships & Partnerships – Gopelang Cleaning Service.
Sebolai, LM	Councillor	Shares – Mot Quick Pulse; Directorships & Partnerships – Mot Quick Pulse.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

50. RELATED PARTY TRANSACTIONS (Continued)

50.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2010				
Councillors	103 882	540 410	-	104 509
Municipal Manager and Section 57 Personnel	55 846	150 067	-	4 529
Total Services	159 728	690 477	-	109 038
For the Year ended 30 June 2009				
Councillors	63 106	178 615	-	35 078
Municipal Manager and Section 57 Personnel	28 889	80 523	-	-
Total Services	91 995	259 138	-	35 078

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

	2010 R	2009 R
--	-------------------	-------------------

50.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Name Supplier	Related Person	Municipal Capacity	Purchases for the year	Purchases for the year
N B Mechanical Sales	S Barnes	Nursing Sister	6 416 394	9 810 456
S&R Enterprises	S Barnes	Nursing Sister	1 812 003	780 492
Irrigation Equipment	B Julius	Demand Manager	433 621	250 648
Land Irrigation Suppliers	B Julius	Demand Manager	1 262 405	521 052
Benlin Computers	V Gous	I T	287 737	482 770
Qongo TG Trading	Mother	Nursing Sister	306 942	-
Naledi Chemicals	D De Haast	Department of Education	238 068	-
Linri Enterprises	MM Leven	Councillor	57 684	-
Total Purchases			22 660 272	11 845 418

51. CONTINGENT LIABILITIES

51.1 Guarantees:

The municipality pledged the following amounts as guarantee for employees' housing bonds:

230 600	354 120
----------------	----------------

The validity of these bonds in terms of the original conditions at which they were issued could not be verified with the respective banks. The banks have misplaced the guarantee documents and have exonerated the municipality from such liability. For instances where bank confirmation could not be obtained, a possible liability exists.

51.2 Liability arising from underfunded pension funds:

In terms of rule 17(5) of the Cape Joint Pension Fund Rules pertaining to the Defined Benefit Section (Part A of the rules), local authorities associated with the fund are under obligation to contribute pro rata to the fund for any shortfall between actual earnings and an investment return of 5.5% on all of its assets. The Cape Joint Pension Fund had a shortfall from its actual earnings on investment for the period ended 30 June 2009. The Municipality's portion of the total liability of R195,856,424 amounts to R11,477,186.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010

	2010 R	2009 R
51. CONTINGENT LIABILITIES (Continued)		
51.3 Court Proceedings:		
51.3.1 High Court matters	56 152 160	25 517 553
Various claims and litigation is in process.		
51.3.2 Litigation and claims	8 183 798	325 280
Various claims and litigation is in process.		
51.3.3 Various attorney representation	2 500	173 394
Various claims and litigation is in process.		
51.3.4 Labour matters (SALGBC)	620 000	270 000
A case of unfair promotion is referred to the Labour Court.		
51.3.5 Magistrate court matters	369 535	566 510
Various cases involving Council.		
	<u>65 327 993</u>	<u>26 852 737</u>

All the above cases are being defended.

51.4 Other liabilities:

51.4.1 Various cases: Salga relating to issues regarding Task's implementation date and possible back pay, as well the unions taking Salga on about the difference between the increases of 11.5% and 13%.

51.4.2 Upgrade cases: Various claims between employees and Council is in process.

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance during the year under review:

(i) A secondment of a finance expert and an engineer by the DBSA.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the 2009/10 financial year.

56. EVENTS AFTER THE REPORTING DATE

Management have not identified any matter or circumstance (adjusting or non-adjusting) since the end of the financial year, that has significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the municipality in future financial years.

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

58. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

GRAP 18 Segment Reporting - issued March 2005
 GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
 GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
 GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
 GRAP 25 Employee Benefits - issued December 2009
 GRAP 26 Impairment of Cash-generating Assets - issued March 2009
 GRAP 103 Heritage Assets - issued July 2008
 GRAP 104 Financial Instruments - October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A
SOL PLAATJE MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Redeemable Date	Balance at 30/06/09	Received during the period	Redeemed written off during the period	Balance at 30/06/10	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG TERM LIABILITIES								
ANNUITY LOANS							70 044 111	
DBSA Loan @ 10%	10112	31-03-2015	15 315 931		3 407 296	11 908 635		
DBSA Loan @ 12%	10113	31-03-2016	13 302 718		2 522 782	10 779 936		
DBSA Loan @ 12%	10616	31-03-2017	5 253 340		873 004	4 380 336		
DBSA Loan @ 10.91%	101452	31-12-2019	12 155 664		665 148	11 490 516		
DBSA Loan @ 12.61%	1	31-12-2028	5 639 747	10 463 371	281 267	15 821 851		
DBSA Loan @ 13.12%	2	31-12-2015	6 456 635		681 804	5 774 831		
DBSA Loan @ 6.75%	3	31-12-2023	2 945 960		65 711	2 880 248		
DBSA Loan @ 6.75%	4	31-12-2015	3 899 733		496 217	3 403 516		
Sub total DBSA			64 969 728	10 463 371	8 993 230	66 439 869		
DBCM Loan @ 11.25%	2	30-09-2009	1 775		1 775	0		
DBCM Loan @ 11.25%	3	31-03-2010	35 168		35 168	0		
DBCM Loan @ 11.25%	4	30-09-2010	32 618		21 145	11 472		
DBCM Loan @ 11.25%	5	31-03-2011	1 264		598	666		
DBCM Loan @ 11.25%	6	30-09-2011	66 821		24 558	42 264		
DBCM Loan @ 11.25%	7	31-03-2012	46 684		13 893	32 791		
DBCM Loan @ 11.25%	8	30-09-2012	68 583		16 994	51 589		
DBCM Loan @ 11.25%	9	31-03-2013	8 790		1 850	6 939		
DBCM Loan @ 11.25%	10	30-09-2013	6 686		1 215	5 471		
Sub total DBCM			268 389		117 197	151 192		
Total Annuity loans			65 238 116	10 463 371	9 110 427	66 591 061	70 044 111	0
LEASE LIABILITY								
Various Finance Leases			6 628 702		1 447 274	5 181 428	5 535 531	0
TOTAL EXTERNAL LOANS			71 866 818	10 463 371	10 557 701	71 772 488	75 579 642	0

APPENDIX B
SOL PLAATJE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation								Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity	140 311 890	16 229 980	3 338 876		16 227 496	742 774	18 823 598	159 880 746	65 790 732	2 382 061		68 172 793	91 707 952
Roads	212 007 780	33 343 200	6 669 288		7 765 997	2 512 021	11 923 264	252 020 268	54 847 521	5 809 543		60 657 064	191 363 204
Sewerage	83 816 234	605 528	31 148 222		8 213 805	188 467	39 173 559	115 569 983	38 790 013	1 500 426		40 290 439	75 279 544
Street lights	17 079 441	334 875			0		0	17 414 316	4 642 748	480 254		5 123 002	12 291 314
Storm water	51 870 145				93 621		93 621	51 870 145	36 127 198	1 009 891		37 137 089	14 733 056
Landfill site	25 060 000	2 660 000					0	27 720 000	0	1 566 250		1 566 250	26 153 750
Water	167 549 268	7 249 592	2 639 298		3 510 480	3 510 480	2 639 298	177 438 158	71 626 414	2 440 034		74 066 448	103 371 710
	697 694 757	60 423 174	43 795 685	0	35 811 398	6 953 742	72 653 341	801 913 617	271 824 626	15 188 460	0	287 013 086	514 900 531
Community Assets													
Community Buildings	55 826 197		881 285		1 669 347		2 550 632	56 707 482	11 428 627	2 333 065		13 761 692	42 945 790
Parks and Gardens	1 125 170		558 574				558 574	1 683 744	3 125	37 507		40 632	1 643 112
Recreational Facilities	39 535 478		887 394				887 394	40 422 872	9 113 185	1 202 979		10 316 163	30 106 708
	96 486 844	0	2 327 253	0	1 669 347	0	3 996 600	98 814 097	20 544 937	3 573 550	0	24 118 487	74 695 610
Heritage Assets													
Heritage Assets	0						0	0				0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Leased Assets													
Various	8 913 239						0	8 913 239	2 235 507	1 142 202	0	3 377 709	5 535 531
	8 913 239	0	0	0	0	0	0	8 913 239	2 235 507	1 142 202	0	3 377 709	5 535 531
Other Assets													
Bins and Containers	20 526						0	20 526	427	3 695		4 121	16 404
Other Buildings	18 975	138 192					0	157 168	1 586	2 743		4 329	152 838
Emergency Equipment	29 788						0	29 788	1 326	2 681		4 008	25 781
Furniture & Fittings	12 663 609	279 509					0	12 943 118	1 543 097	1 422 874		2 965 971	9 977 147
Office Equipment	13 281 151	285 323					0	13 566 474	1 544 596	2 521 544		4 066 141	9 500 334
Kitchen Equipment	976 122	38 425					0	1 014 548	141 651	103 612		245 263	769 285
Laundry Equipment	77 108						0	77 108	5 012	4 627		9 639	67 469
Medical Equipment	290 858	33 415					0	324 273	9 522	27 235		36 757	287 516
Maintenance Equipment	1 527 857	255 734					0	1 783 591	476 425	294 766		771 191	1 012 400
Motor vehicles	47 042 508	859 508		(961 776)			0	46 940 240	15 798 286	3 884 348	(365 317)	19 317 318	27 622 922
Office Equipment	1 591 754	180 274					0	1 772 029	253 341	253 541		506 882	1 265 146
Plant and Equipment	25 438	11 476					0	36 914	382	2 868		3 250	33 664
Software	152 558						0	152 558	152 558	0		152 558	0
Water Craft	40 849						0	40 849	1 668	1 429		3 098	37 752
	77 739 103	2 081 856	0	(961 776)	0	0	0	78 859 183	19 929 878	8 525 964	(365 317)	28 090 526	50 768 657
Total	880 833 944	62 505 030	46 122 938	(961 776)	37 480 745	6 953 742	76 649 941	988 500 136	314 534 948	28 430 176	(365 317)	342 599 807	645 900 329

APPENDIX C
SOL PLAATJE MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
AS AT 30 JUNE 2010

Directorate	Cost								Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
					Opening Balance	Commissioned	Closing Balance						
Executive and Council	427 764	-	-	-	-	-	-	427 764	54 776	55 806	-	110 581	317 182
Municipal General	838 880	59 031	-	-	-	-	-	897 910	201 830	90 267	-	292 096	605 814
Municipal Manager	1 562 976	23 980	-	-	-	-	-	1 586 956	333 141	193 543	-	526 685	1 060 271
Corporate Services	18 569 214	128 725	-	52 888	-	-	-	18 645 051	6 024 614	1 321 349	21 596	7 324 367	11 320 684
Community Services	75 575 842	335 212	2 327 253	188 112	1 669 347	-	3 996 600	78 050 195	20 222 430	4 124 256	86 301	24 260 385	53 789 810
Financial Services	16 810 129	1 134 585	-	-	-	-	-	17 944 713	2 342 786	2 409 613	-	4 752 399	13 192 314
Strategic and Economic development	34 558 860	111 319	-	437 744	-	-	-	34 232 436	9 157 706	1 967 035	140 406	10 984 335	23 248 101
Infrastructure and Services	732 490 280	60 712 179	43 795 685	283 032	35 811 398	6 953 742	72 653 340	836 715 111	276 197 665	18 268 307	117 013	294 348 959	542 366 152
TOTAL	880 833 944	62 505 030.31	46 122 938	961 776	37 480 745	6 953 742	76 649 940	988 500 136	314 534 948	28 430 176	365 317	342 599 807	645 900 329

APPENDIX D
SOL PLAATJE MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2010

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
8 678	19 897 377	(19 888 699)	Executive and Council	61 381	26 119 918	(26 058 537)
192 946 601	117 218 421	75 728 180	Municipal General	239 184 329	156 328 944	82 855 384
1 204 849	10 404 619	(9 199 770)	Municipal Manager	1 328 016	8 478 630	(7 150 614)
2 152 507	27 097 684	(24 945 177)	Corporate Services	2 094 919	29 840 716	(27 745 797)
20 482 540	94 137 270	(73 654 730)	Community Services	19 740 517	95 074 478	(75 333 961)
140 710 454	49 349 620	91 360 834	Financial services	198 378 376	53 071 512	145 306 863
8 594 482	22 893 191	(14 298 708)	Strategic and Economic Development	7 491 676	24 668 514	(17 176 838)
422 746 183	467 126 051	(44 379 869)	Infrastructure and Services	522 788 922	548 827 523	(26 038 602)
788 846 294	808 124 234	-19 277 940	Sub Total	991 068 134	942 410 236	48 657 898
	(29 193 670)	29 193 670	Less Inter-Dep Charges		(40 690 929)	40 690 929
788 846 294	778 930 564	9 915 730	Total	991 068 134	901 719 307	89 348 827

APPENDIX E(1)

SOL PLAATJE MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<u>REVENUE</u>					
Property rates	189 423 946	190 313 244	(889 298)	0%	
Service charges	489 460 439	488 541 307	919 132	0%	
Rental of facilities and equipment	11 126 139	12 722 508	(1 596 369)	-13%	Due to rentals and hire income not realizing.
Interest earned - external investments	3 984 460	4 000 000	(15 540)	0%	
Interest earned - outstanding debtors	39 476 418	43 250 000	(3 773 582)	-9%	Due to declining interest rate.
Fines	3 776 691	5 280 000	(1 503 309)	-28%	Due to fines not realizing.
Licenses and permits	3 089 183	2 491 100	598 083	24%	
Income for Agency Services	3 244 760	2 322 800	921 960	40%	
Government grants and subsidies	218 639 955	225 222 561	(6 582 606)	-3%	
Public Contributions and Donations	3 877 500	0	3 877 500	0%	Farm received as a donation not budgeted.
Other income	24 968 641	45 229 766	(20 261 125)	-45%	Various miscellaneous income not realizing.
Total Revenue	991 068 134	1 019 373 286	(28 305 152)	-3%	
<u>EXPENDITURE</u>					
Employee related costs	304 106 014	300 269 021	3 836 993	1%	Due to implementing post retirement provisions.
Remuneration of Councillors	11 469 985	11 523 385	(53 400)	0%	
Impairment Losses	104 693 453	89 000 000	15 693 453	18%	Impairment of debtors being increased.
Collection costs	265 302	1 095 000	(829 698)	-76%	
Depreciation	29 803 795	48 191 482	(18 387 687)	-38%	Due to unbundling of asset register.
Repairs and maintenance	53 826 250	53 097 340	728 910	1%	
Finance Costs	8 930 826	12 221 964	(3 291 138)	-27%	Due to savings.
Bulk purchases	196 224 388	202 000 000	(5 775 612)	-3%	
Grants and subsidies paid	350 000	1 350 000	(1 000 000)	-74%	Due to public grants not made.
General expenses - other	192 049 294	183 029 582	9 019 712	5%	Non qualifying assets expenditure transferred.
Total Expenditure	901 719 308	901 777 774	-58 466	0%	
NET SURPLUS FOR THE YEAR	89 348 826	117 595 512	(28 246 686)	-24%	<i>Mainly due to the increase in the impairment of debtors, general expenses and a decrease in other</i>

APPENDIX E(2)

SOL PLAATJE MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	0	0	0	32 918 291	(32 918 291)	-100%	Non qualifying assets expenditure transferred to operational budget.
Municipal General	59 031	0	59 031	60 000	(969)	-2%	
Municipal Manager	23 980	0	23 980	24 000	(20)	0%	
Corporate Services	128 725	0	128 725	129 000	(275)	0%	
Community Services	335 212	2 327 253	2 662 465	6 183 000	(3 520 535)	-57%	Swimming pool upgrade being rolled over.
Financial Services	1 134 585	0	1 134 585	1 140 000	(5 415)	0%	
Strategic and Economic development	111 319	0	111 319	112 000	(681)	-1%	
Infrastructure and Services	60 712 179	43 795 685	104 507 864	121 126 872	(16 619 008)	-14%	Various projects in the process of construction being rolled over.
TOTAL	62 505 030	46 122 938	108 627 968	161 693 163	(53 065 195)	-33%	Non qualifying assets expenditure transferred to operational budget.

APPENDIX F
SOL PLAATJE MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Grants and Subsidies received for the year ended 30 June 2010

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Environmental Health	Provincial	208 000	208 000	173 000	208 000	Late Payment. Revenue accrued.	Yes	None
Library Services	Provincial	1 001 000	1 001 000	0	1 002 000	None	Yes	None
Primary Health	Provincial	2 093 000	2 093 000	1 749 000	2 093 000	Late Payment. Revenue accrued.	Yes	None
Subsidy Resort	Provincial	544 000	544 000	0	544 000	None	Yes	None
EPWP	Provincial	5 728 100	5 728 100	0	5 285 000	None	Yes	None
COGTHA Funding	Provincial	23 582 773	23 582 773	0	N/A	None	Yes	None
Equitable Share	National	95 167 000	N/A	9 215 276	95 167 000	Payment not yet received. Revenue accrued.	Yes	None
Department Water Affairs	National	2 342 804	2 342 804	0	N/A	None	Yes	None
Financial Management Grant	National	750 000	750 000	0	750 000	None	Yes	None
MIG	National	39 463 000	39 207 405	0	39 463 000	None	Yes	None
MSIG	National	850 000	996 393	0	850 000	None	Yes	None
Frances Baard Municipality	Municipality	1 651 284	1 127 993	0	N/A	None	N/A	None
Provincial projects	Provincial	42 384 941	45 840 106	0	N/A	None	Yes	None
Lotto	Lotto	0	51 381	0	N/A	None	Yes	None
Total		215 765 902	123 472 955	11 137 276	145 362 000			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by Provincial Government.

APPENDIX G
SOL PLAATJE MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2010

No.	Doc	Service Provider	Service Rendered / Product Purchased	Financial	Line Manager	Motivation
1	46	Actaris	Replacement of prepaid meters	5 145 000	D Mooketsi	An Emergency, Sole Provider
2	47	Bell Equiment	Repairs of the machine (Refuse Compactor)	225 150	MP Arthur	Sole Provider
3	48	Premier Auto(Kimberley)	Purchase of transmission for Refuse Compactor	108 300	P Gray	Sole Provider
4	49	Price WaterHouse Cooper	Business Plan for LED Unit	79 800	P Sithole	Sole Provider
5	50	C-Pac Pumps	Repair 30 KW Flygt Pump	79 797	D Jacobs	Exceptional cases
6	51	C-Pac Pumps	Repair 30 KW Flygt Pump	55 209	D Jacobs	Babcock Equipment
7	52	Kimberley Cremation	Cleaning of cemeteries	180 000	N Moatswi	Exceptional cases
8	53	Actaris Measurement System	Implementation of an interim vendor	7 600 406	A Kloppe H	Exceptional cases
9	54	Coalition Trading 722	Cleaning and Removal of illegal dumped refuse	296 400	N Moatswi	Exceptional cases
10	55	Johann Moolman Sculptor	Appointed to construct the base and mount the statue of Solomon T Plaatje	354 651	L Suipers	Exceptional cases
11	56	C – Pac Valves	Emergency repair of the pump at Rietvale	40 723	DH Leeuw	Exceptional cases
12	57	Lexis Nexis	Amendments in the road traffic Legislation	43 052	CFM Langford	Sole Provider
13	58	Umonde	Celebration of women's month	250 000	N Moatswi	Exceptional cases
14	59	John William's Commercial Vehicles	Service and repair faults on the Freightliner Truck	40 197	MW Pretorius	Sole Provider
15	60	Tourism Blue Print	Design and printing of Brochures	54 720	N Poolo	Sole Provider
16	61	Transtech	Emergency repair on refuse compactor	63 423	Y Snyders	An Emergency, Sole Provider
17	62	Crystal Enterprises	Procure branded track suits	71 033	N Moatswi	Exceptional cases
18	63	Yo Hee Trading	Catering	33 150	G Corns	Exceptional cases
19	64	John William's Commercial Vehicles	Urgent repairs to fire fighting vehicle (F101)	186 992	MW Pretorius	Sole Provider, An Emergency
20	65	Transtech	Emergency repair MKA Compactor Tailgate	131 891	Y Snyders	An Emergency, Sole Provider
21	66	Merck (Pty)Ltd Chemicals Division	Procure chemicals	139 432	N Bogacwi	Sole Provider
22	67	Finger Printed Creations	Event Management Services – Sol Plaatje Monument	1 518 218	L Suipers	An Emergency
23	68	Karona Trading	The Launch of Taxi to Galeshewe	67 472	N Poolo	Exceptional cases
24	69	Techno Graphics	Delivering of T-shirts and Caps	82 194	N Poolo	Exceptional cases
25	70	C-Pac Pump & Valve	Repairs to Pump	79 572	D H Leeuw	An Emergency
26	71	Lexis Nexis	Amendments to the Road Traffic Act 93/1993	54 925	CFM Langford	Sole Provider
27	72	Orange Toyota	Repairs to refuse Compactor	191 826	Y Snyder	Sole Provider
28	73	Orange Toyota	Repair to refuse compactor	33 523	K Williams	An Emergency, Sole Provider
29	74	Vuduka Trading Enterprise	Renovations to Langley Pleasure Resort	79 893	G Lesenyo	Exceptional cases
30	75	Orange Toyota	Repairs to Refuse Compactor	86 306	Y Snyder	Sole Supplier
31	76	Lategan Memorials	The extra work on the Monument of Sol Plaatje	93 632	L Suipers	Exceptional cases
32	77	Big Five	Poles needed for the 2010 event	31 350	C Bosman	Exceptional cases
33	78	Masiqhame Trading 1223 CC	Hire Flat back Trucks	71 280	B Dhlwayo	An Emergency
34	79	Coalition trading 722	Urgent need to hire tipper Trucks from outside service providers	47 520	B Dhlwayo	An Emergency
35	80	Coastal Hire	Urgent need to hire bomags (rollers) from outside service providers	38 880	B Dhlwayo	An Emergency
36	81	Coastal Hire	Urgent need to hire compressors from outside service providers	70 200	B Dhlwayo	An Emergency
37	82	Tourism Blueprint	Request of a reprint of 2 000 kby brochures	55 176	N Poolo	Sole Provider
38	83	Seasons Find CC	Hiring of (Bulldozer)	60 000	KD Williams	An Emergency
39	84	Lexis Nexis	Amendments in the Road Traffic Act 93/1996	30 008	CFM Langford	Sole Provider
40	85	Joe's Electrical	Repairs of all electrical infrastructure at the Langleg pleasure resort	130 227	D Jacobs	An Emergency
41	86	Joe's Electrical	Repairs to all electrical infrastructure at the Langleg pleasure resort	219 447	D Jacobs	An Emergency
42	87	Bothale Communications	Diamonds and Dorings Festival	1 000 000	N Poolo	Exceptional cases
43	88	Premier Auto Kimberley	Repairs to refuse compactor	180 635	K Williams	An Emergency, Sole Provider
44	89	Coalition Trading 722	Cleaning the landfill site	409 260	N Moatswi	Exceptional cases
45	90	Season Finds cc	Supply 1 Bulldozer to Clamont, Cleansing Department	76 000	K Williams	An Emergency
46	91	Super Armature Winding	Refurbish of motor	292 893	S Coetzee	An Emergency
47	92	Mr. Norman Ashley Smith	Rendering of a services as a professional at the coaching clinics and served as ambassador	10 000	C Bosman	Work of Art or Historical Object, Exceptional Cases
48	93	Kabelo Abel Metsimetsi	Rendering services for coaching as well as being a soccer ambassador	10 000	C Bosman	Work of Art or Historical Object, Exceptional Cases
49	94	Mr. Richard Hekenyane	Rendering services for coaching as well as soccer ambassador	10 000	C Bosman	Work of Art or Historical Object, Exceptional Cases
50	95	Ronre Electrical Enterprises	Supply, Delivery, Installation of Injection Equipment transmitter	800 000	D Mooketsi	Sole Local Provider
51	96	Kimberley Masters	Sol Plaatje municipality welcomes Uruguay match	40 000	C Bosman	Sole Supplier
52	97	Kgatelopele	50 days count down event (2010 World Cup)	60 000	C Bosman	Sole Supplier
53	98	ICTV & Radio	The Diski Dance Truck was used for Diski Dance Road show	68 400	C Bosman	Exceptional cases
54	99	Bell Equipment Sales SA limited	Attend to Hydraulics and repair R801	283 855	C Lamont	Sole Supplier
55	100	Barloworld	Install Engine of front end Loader	154 828	C Lamont	Sole Supplier
56	101	Masingita	Hiring of a private compactor	69 255	K D William	Exceptional cases
57	102	Aqua Transport and Hire	Hiring of a private compactor	100 109	K D William	Exceptional cases
58	103	Aqua Transport and Hire	Hiring of a private compactor	158 506	K D William	Exceptional cases
59	9	Tsameka Entertainment	Staging of Public Viewing Events (2010 W Cup)	289 680	C Bosman	Exceptional Cases
60	10	Tsameka Entertainment	Staging of Public Viewing Events (2010 W Cup)	353 874	C Bosman	Exceptional Cases
61	19	ICTV & Radio	Hiring of Diski Dance Truck	34 200	C Bosman	Exceptional Cases
62	30	ICTV & Radio	Hiring of Diski Dance Truck	34 200	C Bosman	Sole Provider/ Exceptional Cases
63	31	ICTV & Radio	Hiring of Diski Dance Truck	39 900	C Bosman	Sole Provider/ Exceptional Cases
64	32	ICTV & Radio	Hiring of Diski Dance Truck	68 400	C Bosman	Sole Provider/ Exceptional Cases